MUHAMMAD AS HIKAM (editor)

TOWARD 2014-2019

STRENGTHENING INDONESIA IN A CHANGING WORLD

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rumah buku

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Strengthening Indonesia in A Changing World

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State Intelligence Agency
FOREWORD

Assalamu'alaikum Wr. Wb.,

With profound gratitude to the Almighty God, I am proud to welcome the publication of the book entitled "***Toward 2014-2019: Strengthening Indonesia amidst a Changing World***". This book is an implementation of Law of 2011 No.17 regarding State Intelligence whose purpose is providing a prediction concerning Indonesian future image within the next 5 years.

The recent global dynamics and development become more complex and competitive, creating significant impacts on the national and state development. In 2014, the Legislative and Presidential Election in Indonesia will be followed by a significant event of national leadership succession, indicated by the election of a new president. Therefore, it is necessary for our nation to make various preparations in order to face the future dynamics and development in all areas of society, nation, and state which will probably occur post-2014. Dealing with the dynamics and development of the Unitary State of the Republic of Indonesia within the next five years requires preparedness of the citizens and state officials of the Republic of Indonesia, through creative and constructive efforts to extend an

understanding and to stimulate and encourage greater community participation in improving the national and state life quality. At the same time, this book can further develop the international community's understanding about Indonesia.

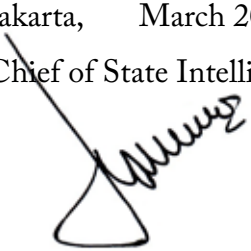
I hope this book will be used as a reference by all levels of society and other parties in their participation in providing insights and giving decision about the nation's future.

Finally, this book is useful in improving our awareness and strengthening our spirit of nationalism to actualize the Prosperous Indonesia.

Wassalamu'alaikum Wr. Wb.

Jakarta, March 2014

Chief of State Intelligence Agency



Lieutenant General (Retired) of Indonesian National Army
Marciano Norman

EDITOR'S PREFACE

The book in front of you begins with an idea and, at the same time, an initiative from the Head of the Indonesian State Intelligence Agency (BIN), Lt. Gen. (Ret.) Marciano Norman, who considers the need for a forecasting study or a prediction of the condition of the nation and the Unitary State of the Republic of Indonesia, related to strategic issues which are expected to arise within the next five years (2014-2019), as well as the anticipatory measures and solutions. Furthermore, the forecasting study shall be accessible to the public domain so all national components – together with BIN- can provide insights and, in turn, contribute various solutions to the current and future challenges and dynamics which have a strategic impact on the life of the society, of the nation, and of the state. He also thinks that the preparation and publication of the publicly accessible strategic review by BIN should be constantly in line with one of the main tasks and functions of the institution, namely early detection and early warning. It also provides strategic inputs within the scope of national security to take account of in the making of various national policies.

Now is the right moment to actualize the idea and initiative. One of the main considerations is the fact that in 2014 Indonesia will implement a five-year national agenda of a very important meaning for the national and state life, namely the Legislative Election (Pileg) and the Presidential Election (Pilpres). The first

will lead to the election of people's representatives (Parliament and Council/ DPR and DPRD) and regional representatives (DPD). The latter will result in a succession of national leadership replacing the reign of President Susilo Bambang Yudhoyono, who has run his constitutional duties from 2004 to 2014, with the newly-elected President of the Republic of Indonesia. Particularly in relation to the Presidential Election, for the first time since the Reformation was initiated in 1998, Indonesia will be led by a President who is not an incumbent and will carry out the task in a strategic environment with a wide dynamics range different from that in the past. Therefore, it is essential for leaders, stakeholders, and all other components of the nation to have clear and adequate knowledge and / or understanding of the issues and the challenges faced by Indonesia within the next five years, so as to have clear options to implement strategic choices in ensuring a sustainable process in implementing the ideals of Indonesia's national struggle to become a great , sovereign, dignified, independent, and developed nation, parallel with other nations in the world association.

Strategic Analyst Board-the State Intelligence Agency, which is a non-structural body that serves as a think tank for the leadership of BIN, is appointed to conduct the study. Of course, all the team members as well as the analysts from BIN's Strategic Analyst Board enthusiastically welcome it and at the same time is challenged to do their best with the task and the trust from their leaders. The Enthusiasm, is because this book is the first publication by BIN

since the implementation of the 2011 law No. 17 on National Intelligence, which can be accessed, read, learned, and discussed openly by the public in Indonesia and even overseas. In addition to inviting the whole nation to think about the future of their country, this book is also one embodiment of BIN's commitments to the reform mandate of bringing BIN closer to the society. At the same time, it will increase public sense of belonging (*melu handarbeni*) towards BIN. This open publication creates the same opportunities for all components to work together with BIN dialogically to contribute the best thoughts and ideas in the nation progress in the future. At the same time, BIN's Strategic Analyst Board is challenged to publish a book that attracts a wide range of audiences and is easy to read and understand without ignoring the criteria and rules to be considered as a scientifically justifiable work. Therefore, the principle of BIN's Strategic Analyst Board is to maintain a balance between the quality and scientifically justifiable substance, and the style of scientific writing of a readable book, not only to academic readers.

Based on that background, from April 2013 to February 2014, BIN's Strategic Analyst Board has been working with experts to plan and prepare the study, and publish it in form of a book, which is gratefully accomplished on time. Through several considerations, this book covers the following areas: 1) Global and Regional Strategic Environment; 2) Ideology, Politics and Government; 3) Social and Culture; 4) Economics; 5) Natural Resources and the National Energy Policy; 6) Defense and

Security; and 7) Diplomacy and International Relations. Each field consists of several sub-areas considered strategic for the life of the nation and the State. A long and intensive process has occurred for almost a year; since the proposal arrangement, the job descriptions preparation, the writer team formation, the validation, to the finalization process, including the editing and publishing of the book. In order to maintain its scientific quality, experts from various fields have been involved in the preparation of this book. Those experts are considered as representatives of their core competencies. Meanwhile, for the process control and the quality assurance, not only were internal seminars held periodically, but also forums of Focus Group Discussions (FGDs), which involved about 100 people, consisting of experts, practitioners, and stakeholders as panellists and / or active responders. The final stage of the quality assurance process was conducting national seminars to get final feedbacks prior to publication. In this regard, BIN's Strategic Analyst Board and the Indonesian Research Association (*Himpenindo*) have held two national seminars in Jakarta and Denpasar attended by about 300 participants, consisting of scientists, practitioners and professionals, as well as stakeholders in the related fields .

In accordance with the original idea, the most important goal of this book is not presenting a variety of final answers and / or ready-made prescriptions, which would direct or bind the society. This book is intended more to provide a future overview and provide solutions to the dynamic and strategic issues within the

next 5 years in Indonesia, based on the dynamics of the Strategic Environment (lingstra) both at global and regional level. So, various recommendations in these book chapters, if any, are still open for discussion and debate. In other words, various recommendations provided should be understood heuristically or exploratory, i.e. various offers of possible consequences which may occur and / or be followed, including the desire for making strategic policy prescriptions. With that kind of spirit and attitude, the society still has a space to move freely in order to participate in thinking of nation problems and contribute their thoughts openly and proportionally.

As a result of an intensive and productive cooperation as well as a harmonious blend of many parties, BIN's Strategic Analyst Board would like to thank those who have exerted their energy and minds to the success of this book. Especially thanks to BIN Leaders, the Chief and Deputy Chief of BIN, for the great trust to BIN's Strategic Analyst Board, Their attention, encouragement, and support have made the task implementation possible to complete on schedule. Similarly, our thanks go to the Principal Secretary of BIN and his staffs who have provided vital administrative supports for the smooth implementation of the task for almost the full year last year. And last but not least, thanks to all those involved in the preparation of this book.

Finally, there is no man-made work without weaknesses, as the saying goes: "Nobody's perfect." This book certainly has a lot of weaknesses, both in term of its substance and beyond. However,

this is all we can actualize to the maximum capacity and effort of the team. Suggestions and comments from readers and the public shall be a necessity in order to provide a deeper insight into the various and alternative thoughts to enrich the treasure of our collective knowledge and understanding. Moreover, the Strategic Analyst Board would appreciate and thank everyone who give criticism, suggestions, and comments containing ideas and deeper thinking. May God continue to show you the best path and bless our nation in achieving the noble ideals to become Indonesia Raya!

Jakarta, March 2014

Dr. Muhammad AS Hikam, MA.
General Editor

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In such a book publication that involves many parties and complex substances, the role of an editor is undeniably important and vital. An editor is needed not only in language editing and harmonizing, but also to provide substantive feedbacks that contribute in improving the quality and the value of the book. Therefore, heartfelt thanks and deep appreciation go to the editor team consisting of Budhiarto Shambazy, Dr. H. Wawan Purwanto, and Dr. Zaim Uchrowi for the hard work throughout the long process of editing this book.

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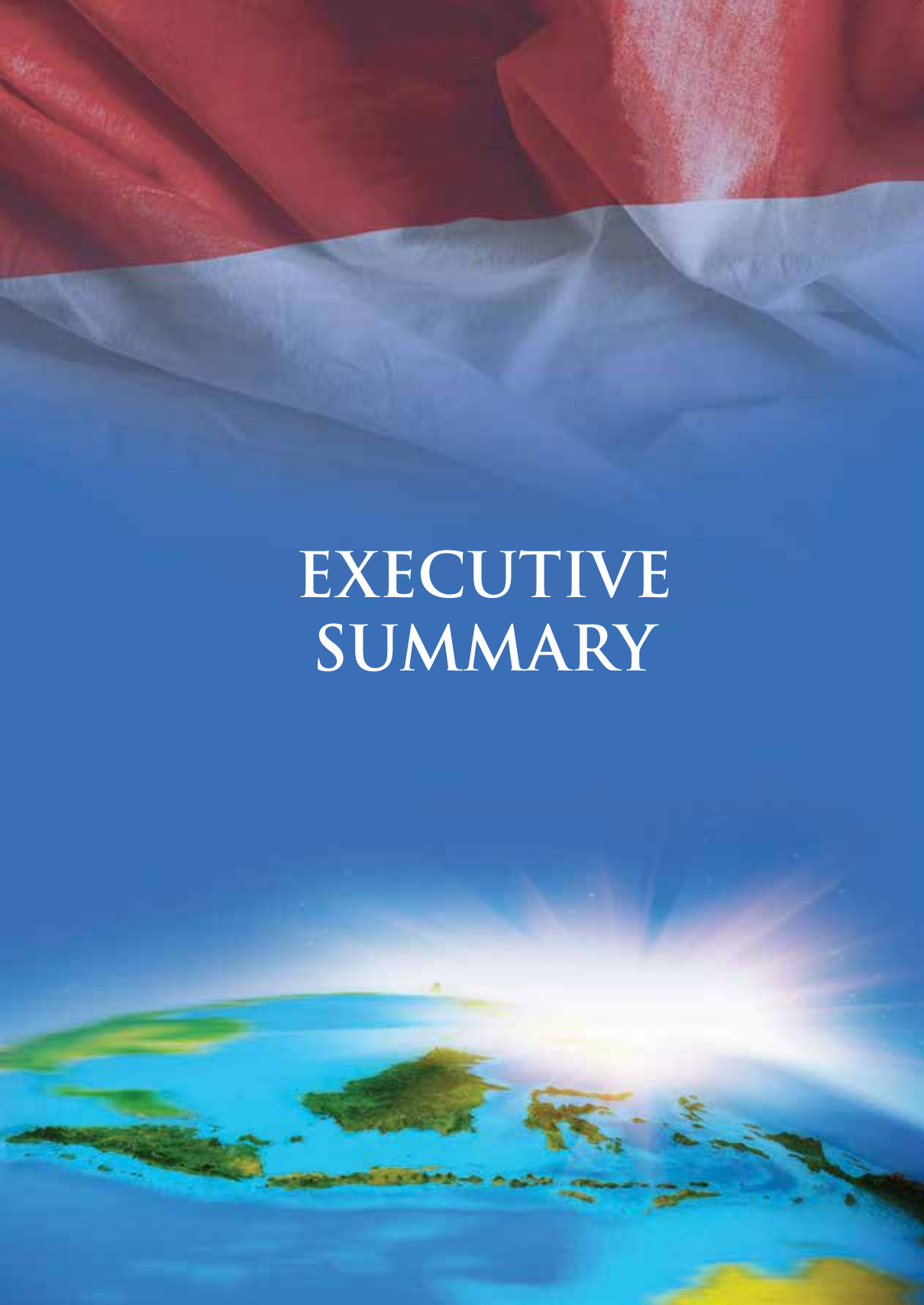

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

Strategic Environment	**In a Changing World** This chapter delves into global, regional, and national environments that become part of the strategic environment for Indonesian development in the upcoming period of 2014-2019.
Politics	**Towards A Consolidated Democracy** This chapter discusses political development that may take place in the next five years, especially regarding the implementation of democracy.
Social and Culture	**Binding our Indonesian-ness** This chapter analyses threats and their impacts in social area within the upcoming development period that involves multiple aspects.
Economy	**Breaking through *Middle Income Trap*** This chapter explains the optimistic projection of the Indonesian economy and the threats to deal with to be able to take off to the next stage.

Natural Resources	**Assets to Become a Great Nation** This chapter illustrates the scenarios needed to manage assets of natural resources, as well as anticipate an energy crisis.
Defense	**Building Up a Powerful Indonesia** This chapter presents the simulation results of the various dynamics of future threats to the Indonesian defense.
International Relationship	**Struggling for National Interest** This chapter shows the need for a new approach to diplomacy and international relationship in the face of the latest global challenges.

Strategic Environment: 'In a Changing World'

Three aspects constitute the strategic environment that Indonesia would deal with within the 2014-2019 period, including global, regional, and national environment. In the global environment there is economic uncertainty, particularly in relation to the European Crisis and the recovery of the US economy. The political focus has shifted to Asia Pacific, although the US, EU, and Russia are still the big players. At a regional level, China's economic revival has drawn everyone's attention following the intensifying dispute in the South

China Sea region. Meanwhile, at the national level, the succession of national leadership with all its implications is the most important thing to observe. A series of natural disasters as well as the energy constraints are other important factors to consider.

Politics: 'Towards A Consolidated Democracy'

The country's progress after the 1998 Reform shows that Indonesia will not be a 'failed state' as many have feared. On the contrary, Indonesia has been relatively strong as a 'formal democracy'. The challenge is how to bring Indonesia to become a 'full democracy' or even an 'advanced/consolidated democracy' considered capable of achieving welfare stability. For that, first of all Indonesia needs to have an income of USD 6,000 per capita. Ten criteria in the fields of economy, politics and government, and law enforcement can be used to assess Indonesia's capability to raise its democracy level. Based on this assessment, it is believed that Indonesia will only make a little progress due to obstacles coming from distribution and the decreasing autonomous political society.

Social and Culture: 'Binding Our Indonesian-ness'

A population phenomenon often called by the term 'Demographic Bonus' is the main background of the social and cultural development for 2014-2019. The shadows of violence and social conflicts from the past years also pose a threat. Education and health need to emphasize the 'intangible' paradigm more to counterbalance its 'tangible' approach. The development of science and technology has to prioritize areas that are biological, geological, and cultural assets to

Indonesia. The reinforcement of ethics and integrity is necessary in the field of law while an approach based on local and national wisdom is required to strengthen social solidarity. The awareness of diversity should be built up to compose a beautiful mosaic of Indonesia to avoid conflicts related to ethnicity, religion, and race.

Economy: "Breaking through the *Middle Income Trap*"

In the last few years, Indonesia's economy has successfully achieved a growth rate of around 6 percent. This affirms the country's position as one of the G20 countries that control 85 percent of the global economy. It is not an exaggeratuon, then, if Indonesia makes an optimistic projection for the 2019 economy with a growth rate of 7 percent, a GDP of USD 6,950 per capita, and a poverty rate of only 4-5 percent. However, the implementation is not as easy as it sounds. The power Indonesia has to develop its economy lies on its natural assets, large domestic market, and consistency of policies to maintain the macro-economic climate. This relative power has to overcome a number of critical aspects such as food security, border threats, energy supply, weak industry sector, and the need for infrastructure development while the global economy remains uncertain. Willingness to learn from more successful neighbouring countries are obviously required.

Natural Resources: "Asset to Become a Great Nation"

To date, Indonesia is recognized as one of the world's oil and gas producers. This, along with other natural resources abundance, is certainly a great asset for Indonesia to become a great nation.

However, the biggest momentum to achieve it has passed as the resources have been greatly exploited. With an oil production of one million barrels per day and the requirement of 1.6 million barrels in 2013, uncreasing to 1.9 million barrels in 2019, Indonesia is borced to turn into an importing country. Other natural assets including forests, fishery, and marine resources, meanwhile, have not yet been managed well and are even damaged now. There needs to be a new regulation and format on oil management, constructions of new refineries, and development of other energy resources including renewable energy resources, geothermal resources, and nuclear plants such as those powering industrial countries. Energy constraints are the biggest obstacle for Indonesia to advance. At the same time, the development of fishery and marine resources must also be a priority.

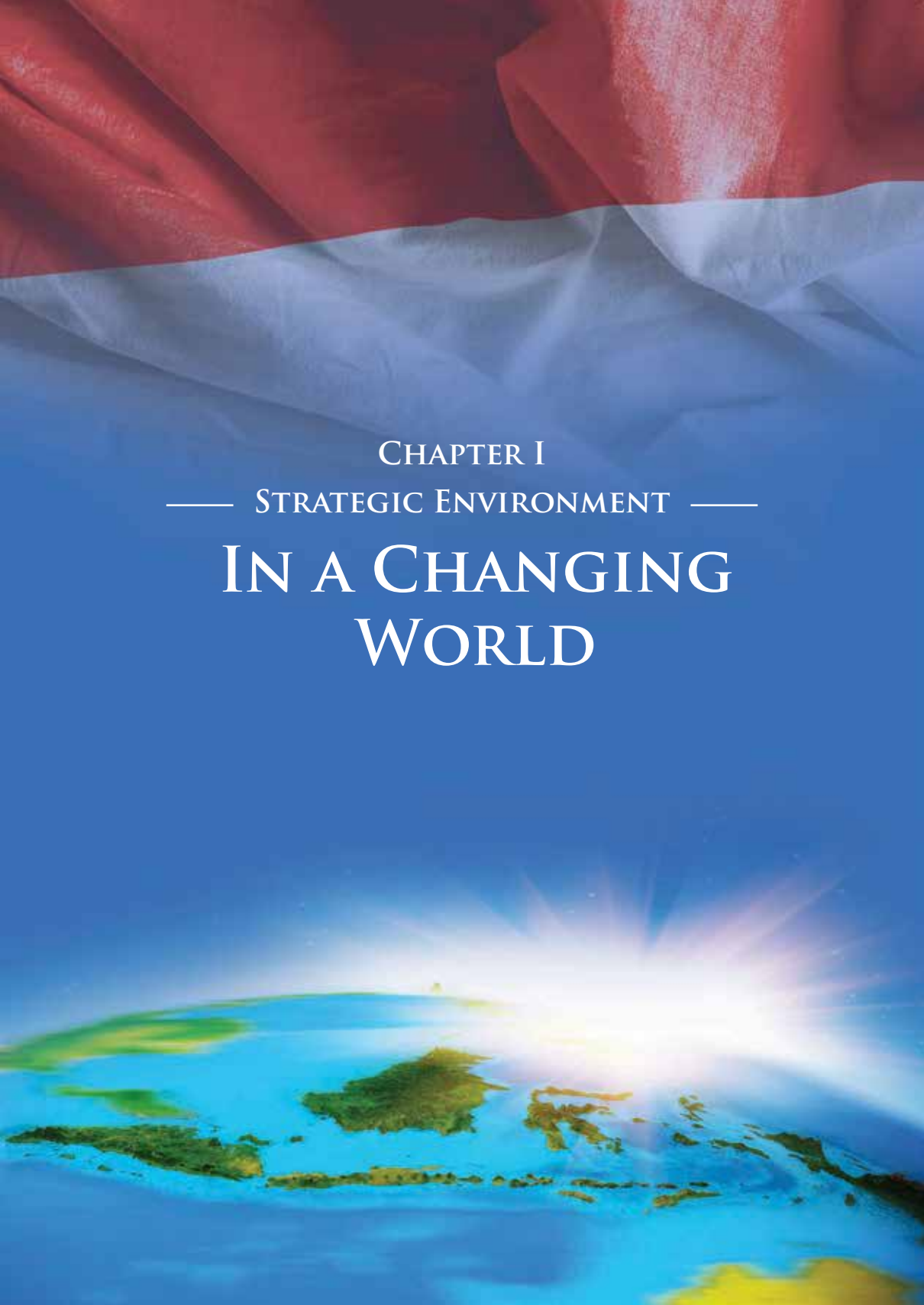
Defense: "Building Up a Powerful Indonesia"

The power competition between the United States and China is the most observable aspect in the global defense issue. Although China keeps enhancing its military force and the US reduces its defense budget, the US still holds the control over global and Asia Pacific defense. Regional conflicts regarding territorial borders, the spread of transnational crimes, terrorism, cybercrimes, separatism, and situational threats are the challenges for Indonesia's defense. The results of the simulations performed show that Indonesia is in a defensively weak position against the dynamics of threats from other countries. The alignment of perceptions between governmental institutions concerning the threats map, the increase of defense

budget, and the enforcement of territorial sovereignty on land, sea, and air is needed to build a strong Indonesia.

International Relationship: Struggling for National Interest

Diplomacy and international relationship are not only means for achieving world peace for all human beings, but also for fighting for national interest. Thus far, Indonesia has not optimally exercised diplomacy to do that. At least there are four national interests that Indonesia needs to stand up for in its relations with other countries: national interest in economy, national interest in politics, national interest in social and culture, and national interest in defense. To be able to perform this new task, some improvements are necessary, including in the design of foreign politics and the development of the institutional system. Some doctrines embraced in Indonesia's foreign policy such as '*ribuan teman tanpa musuh*' (thousand friends zero enemy) or '*keseimbangan dinamis*' (dynamic equilibrium) need to be reviewed as they have proven to be confusing in the effort to fight for the national interests.



Chapter I
Strategic Environment

In a Changing World

"Many say our world is at a tipping point. If we do not act together, if we do not act responsibly, if we do not act now, we risk slipping into a cycle of poverty, degradation and despair."

~ UN Secretary General Ban Ki Moon ~

photo © Zurijeta

A STRATEGIC ENVIRONMENT

IN A CHANGING WORLD

Fireworks celebrations from the remote areas of Merauke to New York, where the UN is headquartered, on the New Year's Eve, December 31, 2013, represented human beings' optimism about the future of the world. Various resolutions were made, both by individuals and by countries, illustrating hopes for a better condition at least in the ongoing year. As things progress, the reality of the world is not always as everyone expects. Several events at global, regional, and national levels during the first quarter of 2014 show that there are at all times hopes and challenges for human beings to deal with.

In Geneva at the end of January 2014, for instance, Indonesia together with a number of other nations participating in the conference on Syria was hoping for a way-out of the prolonged crisis that had claimed a large number of victims. This hope eventually hit the wall of reality as differences of opinion between the two parties was so big that even the world-respected senior diplomat Lakhdar Brahimi did not manage to bridge it. Not long after the negotiations fell through, good news came out in the form of the Ukrainian political crisis coming to an end as President Yanukovych was dismissed by the parliament. Soon after that, however, a new concern emerged concerning the Crimea region that involves the superpower Russia. Ukrainian internal problem has since developed into an international problem.

Aside from the global dynamics, an important occurrence also took place at a regional level in the form of a tragedy, namely the disappearance of a Malaysia Airlines plane on a flight from Kuala Lumpur to Beijing. This was not only an internal affair of Malaysia but rather a concern for the whole south eastern region. Other than raising questions on the safety of aviation, such tragedy also tested the international relations in the South China Sea region that had so far been plagued by territorial disputes relating to a number of islands. All countries were involved in the search of the plane, including China, the highly opposing side in the conflict to seek an agreement in the disputed area.

Meanwhile, the domestic dynamics of Indonesia were dominated by two devastating natural disasters: the eruptions of Mount Sinabung in North Sumatra and Mount Kelud in East Java. Dozens of people

were killed in the aftermath of the Sinabung disaster, in addition to the damage to the most important agricultural center in the island of Sumatra. As for the Kelud catastrophe, it affected a vast area that a number of airports in four provinces had to stop their operational activities. Later, the country was shocked by a sadistic act of a student couple killing their friend over a trivial matter. This incident raised a fundamental question: How bad is the Indonesian social portrait that it brings forth such a dark phenomenon? All of these incidents occurred when everyone was heading to a moment that could present hope as well as anxiety, the Presidential Election. A new leader brings a new hope, but uncertainties during a governmental transition always pose unsolicited insecurities.

The above incidences are just the beginning of the strategic environment reality to be faced by the Indonesian people and government during the incoming 2014-2019 period. All the aspects in the strategic environment at global, regional, and national levels can be elaborated as follows:

Global Strategic Environment

The Syrian conflict, portraying one of the problems the international community is dealing with, is more than a clash between the government of Al-Assad regime and the opposition group trying to overthrow it. This conflict represented the interest of neighboring countries or political groups such as Iran and Hezbollah in Lebanon on one side, and Saudi Arabia and Israel on the other. Representing more than a regional dispute in the Middle East, the Syrian conflict was also a stage where old world

powers competed for influence: the United States versus Russia. As such, the settlement of the Syrian conflict can be seen as a barometer of the world's ability to solve real issues.

Political problems, however, are only one of the global strategic environment's aspects to which to needs to be paid close attention. Other significant aspects include the areas of social, economy, natural resources and energy, as well as defense and diplomacy, which are all related to each other, establishing complex global dynamics. Complex interdependence among countries has been put forward by Joseph Keohane and Joseph Nye in the 1970s. Complex independence manifests in economy as seen from the development of goods and services production processes that rely on a global chain, which also requires increasing rates of mobility and migration from one country to another. Of course the implications are becoming more complex, as countries could be increasingly sensitive and susceptible to an external pressure as well as the euphoria of public participation in policy and political processes.

The aspects shaping the global strategic environment dynamics faced by all countries including Indonesia can be explained as follows:

1. Politics

The global order of politics remains unchanged since the Cold War ended at the beginning of the 1990s. Despite facing internal challenges that are by no means easy, the United States remains the main power of the world with its superiority in multiple

areas at once, i.e. politics, defenses, economy, and technology as well as innovations. The September 11, 2001 tragedy, in which a terrorist attack ruined the business center in New York, and partly destroyed the Pentagon, arousing fear among most people, shows that the United States are no longer as powerful as it was before. It is even more so after suffering a blow from the 2008 economic crisis that crushed public trust down to the bottom level.

In the military field, the United States is having difficulty ending its interventions in both Iraq and Afghanistan, leaving uncertainty in security and ongoing political tensions in both countries. This underlines the US ineffectiveness as the world leader. Meanwhile in economy, the international community has begun to champion China to take over the number one position from the United States. All are viewed as indications of the decline in US influence, although in reality the country is still the world's main power. This is affirmed by Fareed Zakaria in his book *The Post American World* (2009) that underlines the fact that the US still exists and in many facets remains dominant from the point of view of authority.

Aside from the United States, Western Europe is also a big player in the global political map. True, this region is hampered by complex economic issues after a number of its member states faced serious financial crises, such as Greece. But Western Europe, driven by Germany with its economic and political stability, continues to be very influential in the international arena. The settlements of global political issues like the Arab Spring in the Middle East and tensions related to Iran's nuclear reactor are not

without Western European involvement.

China came up as a new power that is increasingly respected. With a large population, the highest economic growth globally in recent years, and an obvious boost of military power, China began to be considered as the country most likely able to take over the US as the world's leader in the future. This prediction is still far from becoming a reality. Nevertheless, the country's influence on the international community is undeniably growing stronger from time to time. In the history of modern civilization, China was never as powerful as it has been in the last few years and will continue to be for the next five.

Russia is another global power that cannot be ignored. Under the leadership of Vladimir Putin, the country tries to resurrect as "a challenger to the United States" the way communist Soviet Union was before it fell apart with the emergence of the *glasnost* and *perestroika* policies during the era of President Gorbachev. The role of Russia in the Syrian conflict, during which it took the opportunity to be in opposition to the United States, served as evidence that its power is not to be underestimated. The political crisis in Ukraine also showed that Russia's influence in international affairs is quite strong, especially in Eastern Europe and Central Asia. Once the Ukrainian Parliament brought down pro-Moscow President Yanukovych after the pressure from the opposition, an armed group hoisted a Russian flag at the government building of Crimea, southern Ukraine. Putin dispatched military force right away to protect "Russian interest" in the country.

Besides the big players there are also a number of important actors in global politics. In the Middle East, for example, Israel remains a key party that holds control of the regional dynamic. That Palestine has yet to become a fully independent nation is determined by the Israel factor. Egypt's political crisis that was marked with the overthrow of democratically-elected President Morsi was not independent of Israel's interest. The same is true of the continuing tension between the West and Iran with nuclear weaponry as the main issue, while Israel itself has much more powerful nuclear reactors.

In East Asia, North Korea preserves its long-held position as a 'fraction' that gives a different color to a region boasting economic development. Japan, South Korea, and Taiwan have proven to the world they could rise to become developed countries as those in Western Europe and North America. China is on its way, although it still needs time to settle its internal problems. North Korea maintains dictatorship of a sole leader from the Kim dynasty, even though now led by the third-generation leader Kim Jong-Un who obtained a part of his education in Switzerland. North Korea keeps positioning itself as a 'gravel' hampering the steps of its surrounding countries.

On the contrary to North Korea, Australia has turned into the most important actor in the international political map of the West Pacific region. This is possible because, as the West's spearhead in Asia, Australia possesses various aspects of Western power from politics, economy, and military, to technology. Australia has also succeeded in developing into one of the most

prosperous countries in the world, being second in the world's Human Development Index (HDI) with only Norway above it. This more or less helps strengthen Australia's bargaining position in global political affairs.

These players generally remain unchanged from ten years ago. But the dynamic in international politics is increasingly complex. Regarding Middle East democratization, for instance, the US has been contradictory. On the one hand it calls for participation to secure the democratization, but on the other it lets old allies like Israel and Saudi Arabia sabotage the existing democracies, such as in the case of Muslim Brotherhood's victory in Egypt and the rise of the Shia political movement in Bahrain.

The relation among the United States, Europe, and Iran has created a new dynamic that deserves our attention. For three decades, Iran has been established as 'a common enemy' by the West and Saudi Arabia. However, as the administration of President Ahmadinejad came to an end, and President Rouhani from 'the moderate group' took office, the US and the West loosened their tension with Iran through mediation by the Kingdom of Oman. The practical interest of Western countries to strengthen their economy and the tendency of President Barrack Obama's 'humanist politics' have encouraged the US and the Western Bloc to take that pragmatic means by overlooking the interest of their old allies, Israel and Saudi Arabia. Early in 2014, Western economic power began to enter Iran again while the Iranian government was working actively to build economic cooperation with Central, Southeast, and East Asia.

A big change in the last five years is China's aggressiveness in expanding influence to Africa. This expansion has been mostly applied through an economic approach by marketing Chinese products, and through the development of cooperation in energy exploration. In addition to the economic tactic, China employed a cultural approach too. In many countries in Africa, Mandarin language courses are flourishing. These various efforts have strengthened China's influence in the continent, competing with Western countries that have so far had huge power there. China's influence in Africa is predicted to continue to grow in the next five years.

Another big change that occurred is the shift of the world's geo-strategic center to Asia-Pacific. In a discussion, Ambassador Soemadi Brotodiningrat quoted Hillary Clinton's speech while acting in her capacity as US Secretary of State, stating that "the Asia-Pacific has become a key driver of global politics. The future of politics will be decided in Asia." Asia-Pacific is the main region where the world's economic drivers are. More than 41 percent of the global population lives here, and they are mostly young and have continuously increasing purchasing power. No less than 50 percent of global commercial transactions take place in this region. Here the commercial activities and international connectivity are very dynamic, so countries wanting to develop their economy will try to build cooperation with the region's countries.

It was different when the gravity of international relations was centered in the Trans-Atlantic. At the time, international relations were colored with relatively homogenous civilizations

and systems of values compared to those of the current world. They were dominated by Western ideologies and systems of values in economy, community governance, and of course politics. In the current development, the United States' liberal democracy coexists with China's free-market communism, despite the remaining tensions regarding several issues. Such a new reality in today's global politics must be faced and accepted by countries in the world, including Indonesia.

2. Social and Culture

A part of the global strategic environment that needs to be considered in five years to come is the socio-cultural aspect, which is closely related to international politics. The relation has been elucidated in an old analysis by Samuel Huntington in *The Clash of Civilizations* (1996). Through the book Huntington conveys that the phenomenon of the future world, i.e. the 21st century, would be marked by global conflicts determined by preferences based on socio-cultural factors such as religion and ethnicity. Simply put, it can be described that the world would see tensions between the Western Bloc vis-à-vis a coalition of China and Islamic Middle Eastern countries. The prediction is supported by *The Geopolitics of Emotion* (2009) by Dominique Moisi that illustrates the psychological states of a number of countries including hopefulness, fearfulness, and confidence.

The frontal clash of civilizations did not happen as predicted. However, the rise of 'cultures' that are not exactly similar to the Western in the center of the world is inevitable. The socio-

cultural portrait of the world has become more varied in general. The dominant discourse of science and policy in fact encourages every country to show the characteristics of their own model, including in economic and political management. In scientific discourse there is a term called 'concept indigenization', which refers to the development of concepts based on each nation's wisdoms and values. This also flourishes in the study of human rights to push for an effort to seek the unique meanings and practices at national and regional levels and to not simply follow international norms.

In regards of economy and labor protection, studies around the various implementations of the capitalism principles are springing up. There are social scientific observations and explorations on the role of a community's culture and values in the variation of market economic system implementations in a number of countries. The old view that liberal democratic values and free-market capitalism would be the only norms in the post-Soviet Union political and economic system is no longer seen as valid. The world indeed encourages diversity according to the system of values relevant in each own country.

At a policy level, China and Indonesia are among those that tend to go in that direction. President Xi Jianping during his visit to Jakarta in October 2013 said what China wanted to develop was respect for other countries, regardless of their preferences in political systems and economic development. A number of prominent Indonesian figures, such as Susilo Bambang Yudhoyono and Jusuf Kalla, in different forums conveyed that

the speed of democratization in ASEAN could not be compared to that in other parts of the world. Indonesia actively share its experience in democracy, conflict settlements, and cooperation models with non-government organizations of other countries.

A number of analysts also study Islam in its relation to the culture of democracy and to development. The underlying assumption is that Islam is viewed as a social force looking for a place in the global politics of economy. The question that begs for an answer is how does Islam as a teaching and a way of thinking influence governance? Events happening in Middle Eastern countries have made observers very careful in bringing the variable of Islam into international studies. Islam-related issues cannot simply be concluded in a 'black and white' way. As mentioned by Gregory Gause III (2011), the development of democratization in the Middle East still needs to be observed, especially with an existing indication that leadership in the region has been misunderstood.

Democracy is still promoted by Western countries as shown, among others, through their support so far for the 'Arab Spring' movement in the Middle East. The United States' pressure on human rights issues in China—including its support for Tibet Leader Dalai Lama—also proves that the country remains active in spreading its values. The face of democracy that needs to be adopted, however, may not be exactly the same. In several years to come there will be more varied faces of democracy as a result of adaptation to different cultural values of each country.

The diversity of cultural values in the world's central whirlpool

of civilization is becoming more and more widely accepted. Nevertheless, the globalization of cultural values is also unavoidable. People from different nations and countries use clothes, vehicles, communication devices, household tools, and products from the same global brands. Networks of stores, restaurants, and everyday consumer goods have reached remote areas. It is as if there are no longer international boundaries for the global brands.

Such globalization of cultural values is not independent of the fast information technology development recently. In the next five years, i.e. 2014-2019, the world will be more connected by the technology, which eliminates geographical, and even cultural, barriers. Not only do the phenomena of the internet, social media, and Android-based applications facilitate communication between communities, they also fundamentally change the old paradigms in politics, economy, science and development, and culture. Information technology has come to be an important agent in the democratization of the global community.

At the same time as the fading of barriers between nations and countries, emerges the phenomenon of global citizenship that makes nationality no longer important. There is no statistic figure regarding this matter yet, but the tendency to work overseas, to migrate, and even to change nationalities is increasing in many countries, especially among the youth. The youth's attention in the next five years and beyond to global issues will grow stronger, skipping over their respective nationalities.

The demand to seek opportunities abroad is inescapable due to high population growths in developing countries. In 2019, the world population is expected to reach 7.5 billion. This will generally put pressure on the provisions of food, energy, and housing, as well as environment preservation. Besides, as explained before, it will also escalate the rate of people's migration from developing countries to the developed ones, such as the waves of illegal migrants trying to enter Australia via Indonesia's southern waters. Many countries will consequently receive social pressure, including those sitting in the migratory routes.

> In 2019, the total world population is estimated at 7.5 billion people. Such increase will generally put pressure on the provision of food, energy, housing, as well as aspects of environmental conservation. "

3. Economy

As mentioned before, there is a shift of the geo-strategic center of global civilization from the Trans-Atlantic to Asia-Pacific. This, of course, involves economy. The tendency in that direction has been observed by many countries in the last two decades, as shown by the formation of the Asia-Pacific Economic Cooperation (APEC) forum. From time to time, international connections in the region is growing stronger. And it will continue to be so in several years to come. The United States and Japan, as its principal partner in the west side of the Pacific, were the main actors of economic bonds there in the past. Entering the

21st century, and after the 1998 monetary crisis, however, South Korea began to claim their place as an important driver of global economic development, which is centered in Asia-Pacific.

Regarding the progression of the Asia-Pacific region, one most noted by economic observers is surely the economic development of China, a country with the biggest population as well as the highest economic growth in the world. The communist Chinese government stunned the world as they successfully applied market economy in an effective way. Its cities have transformed into modern urban centers like those in developed countries. High-standard infrastructure development is reaching all areas. Its strong domestic market looks attractive to foreign investors to enter the country that actually calls itself 'the central nation' or *Zhōngguó*. Meanwhile, Chinese companies, which have already been strong with its large domestic market, are now expanding to the global marketplace.

China's expansion is aggressively propelled by the government, through its support for both commerce and investment. The regions of Southeast Asia or ASEAN, Africa, and even South America become their target areas. The Chinese Deputy Minister of Commerce once said as quoted by China Daily (11/8/12), the total Chinese investment in ASEAN has increased by 70 percent. China in fact formed the China-ASEAN Investment Cooperation Fund, or China ASEAN Fund, that is a private equity company based in the Netherlands. The company is owned and controlled by the Chinese government through the China Investment Corporation and the International Finance

Corporation. A portion of the institution's fund has been invested in companies in Cambodia, Laos, the Philippines, and Thailand. Chinese investment in this region is largely made into operations of communication, dams, power stations, and mining explorations.

China has also been working fast in Africa. As quoted by China.org.cn (12/7/13), the Chinese Ministry of Commerce stated that their investment in Africa had surpassed that of the US. This makes China the biggest trading partner to African countries. Chinese investment growth in the region has multiplied by 30 times since 2005. China is also actively granting loans to oil-rich countries in Africa, for example, the loan of USD 1.1 billion to Nigeria. To strengthen its position, China formed the China-Africa Cooperation Forum.

The presence of China in Africa is marked by the increasing number of its citizens living in the continent. According to Consultancy Africa Intelligence, there are Chinatowns in almost every country in Africa, noticeable by the presence of Chinese food restaurants, Chinese food centers containing thousands of vendors, and Chinese-owned business centers. The biggest Chinese communities are currently the ones in South Africa and Namibia. Even in a country like Libya there are tens of thousands of Chinese migrants running businesses. Chinese investment in Africa is generally made into operations of mining, commerce, banking, manufacturing, information technology, pharmacy, and agriculture.

With the rise of Chinese economy, which is predicted to overtake that of the United States soon, observers have made up some special terms, like the acronym BRICS that refers to Brazil, Russia, India, China, and South Africa coined by an economist from Goldman Sachs. Brazil is the biggest economic force in Latin America; likewise, Russia and India are big economic powers in Asia-Pacific. As for South Africa, it is the number one in the continent. Other than BRICS, there is also MIST that refers to Mexico, Indonesia, South Korea, and Turkey. This one is an insignificant term that serves merely as an ameliorative in discussions because of the four, only South Korea that has managed to become a developed country. The other three, including Indonesia, still have many basic problems to solve to follow suit.

Turkey is indeed a small portrait of the global economic development. Supported by the large inflow of European industrial expansion, particularly with companies from old-ally Germany coming in, the country managed to record the highest economic growth in the continent in the last five years. Unfortunately, the portrait of global economy outside of Turkey and East and Southeast Asia is generally bleak, especially in European Mediterranean countries like Greece, Italy, Spain, and Portugal who have been in lengthy economic crises. The same is true for the Republic of Ireland, which in the previous decade had quite an impressive economic growth.

European economic crisis brought forth significant impacts on the rise of youth unemployment, including those with high

education. According to OECD data, youth unemployment in Europe has risen by 30 percent since 2007 and the number is predicted to keep going up. At least nine European countries have unemployment rates of above 25 percent of their total labor force. The period of unemployment also lasts longer than before. One out of five young individuals aged 15-24 in European Union is unemployed for over 12 months.

European big countries have come under economic pressure as well. Only Germany with its very strong economic foundation that has stayed firm despite the difficulties in recent years. Nevertheless, even Germany was affected by the European economic recession as it became the only one expected to 'help' its neighbors out of the situation. The current economic states of Britain and France are not yet strong enough for them to provide help in this common hardship. Moreover, Europe now also have to deal with the Ukrainian problem. Ukraine's pro-Western group has just won the battle against the pro-Moscow group in a political conflict that destroyed the country's economy. Willing or not, this 'ill' Europe must help Ukraine restore everything, including its economy.

The United States as the big leader of the world, especially the Western Bloc, has started it by granting a loan worth USD 1 billion to Ukraine's provisional government. This step was not an easy decision because the US was not in a comfortable position economically. It has not recovered from the 2008 crisis caused by the 'subprime mortgage' scandal that went on until early 2014. Furthermore, the country had to endure a fiscal crisis that forced

the government to freeze all its own activities for 16 days in October 2013. It is something impossible to be done by other countries, including Indonesia.

The economic crisis in Europe and the United States carried a considerable impact on Asia, particularly Japan and China who bought a lot of American bonds. India, once predicted to be a future global economic powerhouse after China, was severely affected by the crisis in Western countries. The value of its currency fell, as did the value of Indonesian rupiah due to more complex causes, when the 2013 fiscal crisis hit the US. The situation also disclosed India's real economic quality that turned out to resemble that of Indonesia in the 1980s: praised by many world economists and proud for its soaring rate of growth yet actually lacking a strong foundation. Unlike China, India is still far from being a candidate to be a future developed country as reflected by its low Human Development Index (HDI) rank of 145th in 2012.

Other global institutions like the International Monetary Fund (IMF) and the World Bank have been working hard to solve the economic deceleration. In the 67th IMF-World Bank meeting in Tokyo under the theme of 'Global Challenges, Global Solutions', it was stated that the economic crisis and deceleration occurring in a number of regions including Europe and the United States required a comprehensive approach. The approach should not only seek a recovery in fiscal and financial sectors, but also policies to mitigate the negative impacts of the existing development issues. Emphasis should

be placed on money market stabilization, the strengthening of the European zone, Asia's economic role, employment policies, industrialization, sustainable growth, health investment, and the Millennium Development Goals.

The IMF acknowledged that this economic calamity rooted in the debt crisis in the European zone was a complex one. When the subprime mortgage crisis hit the United States in 2008, the policymakers agreed on the same option, i.e. a fiscal stimulus. This was done to keep consumption and production at a safe level to stimulate the economy. However, the current crisis is much more difficult and multifaceted compared to three or four years ago.

Head of the IMF Team of Economists Oliever Blanchard stated the crisis this time overturned the economic understanding and knowledge that had been believed as valid. It has presented new issues to be studied in depth by economists, scholars, and policymakers. Various classic instruments are considered outdated, which means that the current economics is no longer adequate to answer today's challenges. This should have been seen by economists after they failed to anticipate and prevent the 1998 monetary crisis in Asia.

In a number of other multilateral forums such as the G20 and APEC, world leaders have also been trying to find the right formula to handle the occurring crisis. However, they have yet to find the solution due to the complexities. It is likely that the crisis this time does not need a concept or foundation at a global level,

but rather practical solutions at regional and local levels. So the IMF emphasizes the importance of cooperation and 'knowledge sharing' among the countries and regions to help overcome the ongoing crisis. Asia, particularly the Eastern and the Southeastern parts, is the one most expected to revive the world economy to its healthy state.

4. Natural resources

A strategic environment related to natural resources at a global level is inseparable from social, economic, and even security dynamics. World population growth as well as the demand from economic development has pushed global energy consumption to increase. However, the rates of population growth and economic growth are not evenly distributed. Advanced industrial countries, within the last five years or even the last two decades, have generally had relatively stable population and economic growth at a 'mature' and relatively small rate. Some even had negative growth.

In the long term, with the world's population numbering around 10 billion in 2100, energy consumption is expected to reach at least around 100 billion barrels of oil equivalent per year, or around 275 million barrels of oil equivalent per day. The composition of world energy resources that is currently dominated by fossil fuels will persist although the entire globe will have been trying hard to develop non-oil alternative energy resources. Until today, alternative energy resources have not yet been able to replace fossil fuels significantly, either in cost or

in practicality. At least until the year 2030 the role of fossil fuels is expected to cover around 75 percent of the total world energy consumption.

Relatively high economic growth can be found in developing countries that have the capacity to grow. The determining factors, among others, are large population as a domestic market, sizeable territorial area, rich natural resources as the basic capital for development, relatively stable socio-political and security systems, and quality human resources. At least in the last two decades, China has always turned out with a high rate of economic growth. Along with South Korea, Taiwan and Japan, which have long been industrial countries, China makes East Asia the center of world economic growth. This also means they have a very urgent need of energy.

To maintain economic growth and people's welfare, the countries try to secure their supplies of energy and mineral resources. Naturally they need to import them because their natural resource reserves of energy and minerals are limited or even nonexistent. China is actually a producer of oil and gas. However, since its need far exceeds its domestic production, China is actively looking for reserves abroad through its oil and gas state enterprise to enhance its oil and gas energy security.

As a country that geologically has a huge natural resource potential and is relatively close in distance, Indonesia is viewed as a supplier of energy and minerals. China, a country with one of the biggest coal reserves in the world, consciously chose to

import as many coals as possible from Indonesia. In addition, they also import energy from the Middle East, West Africa, and Australia. A consequence of China's need for energy resources has been a territorial dispute with nearby countries on an area thought to be rich with energy resources.

The natural resources being fought are not only the ones related to energy, but also agricultural lands obtained by way of acquisition or long-term rent suspected to be a land grabbing practice or a new version of colonialism. A study by Borras Jr et.al (2012) reports that food is only an element of the motive why countries that are actually economically rich chose to acquire and rent lands in other countries. There are other reasons for the decision, such as biofuel investment, part of the strategy to anticipate climate change, or a way to seek new sources to strengthen the channels of capital flows in this increasingly globalized world. China is a big adopter of this practice, reaching Africa, Southeast Asia, and Latin America. A number of other countries such as Australia and South Korea have done the same thing. So has Malaysia, with its palm plantations in Indonesian lands.

5. Defense

The United States remains the biggest economic and military force on earth, and a science and research power house in the field of future technology. The 2008 economic crisis has not relieved the US from that position. That said, the country is bearing a burden it cannot handle alone forever. The US' involvement in Iraq and Afghanistan conflicts, for example, has drained its finances and

claimed many lives. Its relatively low economic growth forced them to lessen its presence in the Middle East. In fact, its budget for defense has been reduced by USD 300 billion for the next 10 years. But due to economic and security interests the US will not decrease its military force in Asia-Pacific, as Obama decided to adopt the "Rebalancing Asia-Pacific" policy.

The most recent case in which the United States was accused of espionage on a number of countries, its allies in European Union are actually not excluded, shows that countries still prioritize their own economic and security interest. This will continue to be fought for although it may result in good relationships being damaged. In an anarchic world, where there is no authority higher than a state, such an action can be seen as something 'normal'. This phenomenon shows there is a change in types of warfare, i.e. to the war of information.

Another major actor, Europe, must allocate a budget to repair its economy. With the difference of ideological tendencies among its member countries, it will be even more difficult for Europe to sustain an expansive defense policy, whether it is pursued on its own or together with the United States. In several years to come, it seems Europe will keep concentrating on resolving its internal integration problems. This process will take a very long time and involve complex processes, and yet there is no guarantee of success. Therefore, it can be expected that the participation of the European Union at an international level will be more focused on the political dimension, especially on issues related to human rights and democratization. The minimum coalition

between European Union and the United States is very likely to carry on. However, unlike in the past, joint military actions between the two sides will be more sensitive after the US espionage case. Furthermore, military actions will require large political and financial costs that may hamper their recovery from the economic crisis.

On contrary to the United States and European Union, China will in fact strengthen its defense in a massive fashion. In the last two decades, China has recorded rapid economic and military development. Some even predict that China will take over the United States as the world's strongest nation in terms of economy and military in the next twenty years. In line with that, it is expected that the competition between China and the US will intensify. On the one hand, China's emergence as a strong state in Asia can result in a new world balance with the United States. On the other, the US will try to defend its position. Until several years to come, the US will still be the country with the largest expense for defense.

6. International Relations

In the last few years, international relations have come up with more complex formats. This can be seen, among others, in the US relations with old ally Pakistan, which is colored with tensions especially in handling radical groups under the Taliban–Afghanistan network. Its relation with Iran, which has so far been its most important enemy in the Middle East, is similar. The

US actually tried to loosen the tension between them through a maneuver by Secretary of State John Kerry as President Rouhani took office.

In the meantime, the United States also has a complex relation with China. Politically it maintains an opposing position to the Asian country, which it considers to have done many human rights violations. The US indeed continues to lead the line in human rights affairs. Besides, it backs Taiwan and Japan in the possibility of Chinese military attacks. Nonetheless, the US and China are involved in a complex economic relation: in conflict with and yet in need of one another. China is the biggest buyer of American bonds that also means the biggest 'lender' to the superpower. Therefore, China obviously has hopes that the US economy—aside from relying on China—will grow, so that it can pay back loans. Then again, China also expects American investors to invest and develop their business in its territory.

Such a complex relation is also apparent in the interaction between the 'elite' countries at a global level, such as among the five permanent members of the UN Security Council and among the eight countries that meet regularly to define global economic agenda (the G-8). In the forums each country tend to insist on defending its own interest while ignoring global common interest. The fact that multilateral cooperation mechanisms and schemes, such as the UN and WTO, are weakening is proven with many issues left unsettled. One may point out, for example, the conflicts in the Middle East, the follow-ups on climate change issues, and the deadlocks in

trade-related negotiations. The formations of many forums, like the G-20, APEC, and other economic cooperation forums, with overlapping objectives in a region show that international relations are likely to become complex.

At a certain level there is a common awareness to build some sort of global governance and architecture, to establish a global norm to keep world peace. That said, the path to setting up that peaceful global architecture is not simple. The big hope for a safe, peaceful, and prosperous world often collides with short-term needs to fight for their own interests. In such condition, there is a possibility for conflicts of interest between countries. Looking at the disputes in the last few years, there are at least five potential conflicts in the future global politics of economy that need to be considered:

a. Conflicts caused by proxy wars among the world's elite powers

   This kind of non-physical conflicts may occur among the elite countries whenever their national interest is believed to be under threat, especially in the context of a struggle for influence over other countries. They will seek opportunities to attack their political-economic oppositions through a battle in somebody else's land. The five permanent members of the UN and the global agenda setters at the G-8 will always defend their influence. The United States with its position so far will use its dominance to put pressure on others with various issues including terrorism, weapons of mass destruction,

free passes in strategic marine areas, human rights, and so on. On the other hand, Russia has interest to counter that by maintaining its influence in the Middle East, Africa, and Asia. Russia may avoid direct armed contacts, but will always look for opportunities to undermine the United States.

b. Conflicts over 'the rules of play' in international relations

This is a dispute in determining of 'the rules of play' outside of international organizations such as the UN or WTO. The organizations are seen as a protective shield for all countries from the interest of a certain country that forces its wishes on another. In reality, the roles they play are limited in protecting weak countries from the pressure of the superpowers. Not many countries are able to survive such pressure. China is one of the few countries that is smart enough to find a hole in the UN's or WTO's rules of play that its national interest remains fulfilled while staying in the proper corridor. Other countries also manage to find a way through international regulations. In the field of trade, for example, a number of countries are using non-tariff measures to protect domestic food prices and supplies by applying a quota, using quarantine, or prolonging harbor processes. Unfair rules of play render the UN Security Council and other UN institutions ineffective in finding solutions for many cases, the Syria case being one example. There is no instrument sufficient enough to find a solution for peace when there is a member of the UN Security Council vetoing.

c. Conflicts in border areas

International regulations on borders are not without flaw. The increasing occurrences of transnational crimes such as illegal drug trade, human trafficking, etc. serve as evidence. The weakness of regulations on borders also provides room for neighboring countries to dispute over territories and to distrust one another. It may endanger relations between countries, especially when media reports are filled with threatening and condescending statements to one another.

The South China Sea conflict stands as a proof that the United Nations Convention on the Law of the Sea (UNCLOS) is not adequate for protecting the sovereignty of countries with sea borders. The definition of 'island' in the UNCLOS can be debated; even a coral reef can be claimed as an outermost island as long as there are administrative and military activities by the claiming country. The solution can only be sought and maintained by the claimers. If one big country like China does not agree to the agreement put on the table, the territorial dispute will continue. Therefore, rows in border areas, such as in the South China Sea, are likely to develop into open conflicts. In fact, until today the United States are still reluctant to ratify the UNCLOS.

The current applicable mechanism for settling conflicts in border areas is based on the willingness of the disputing countries to sit together in a bilateral or regional platform. This mechanism is proven to be effective for a number of

cases, such as when Indonesia was settling land borders with Papua New Guinea, despite the lengthy time it took. Indonesia's border issue with Papua New Guinea had been addressed since 1966 and was only resolved in 2004 after 3 declarations. Border conflicts require diligent handling with strict monitoring and heavy financing.

d. Conflicts caused by natural resources

This conflict is not an open one but it creates a convoluted situation for the local government and the people who are directly affected. In the last 10 years, it seems the world's elite countries have been trying to secure their supplies of food, energy, and industry materials to provide for domestic needs and to guarantee job opportunities. Big countries, followed by new industrial ones like India and Brazil, have been exploring and acquiring lands and huge projects in the fields of food, energy, and business in other continents. Africa and underdeveloped areas in Asia, like those in the eastern part of Indonesia, are targets to such investment. Because the targeted areas are inexperienced in dealing with foreign parties, the agreement entered by the local government is likely to not be in line with the national interest. The bad consequence will be felt only in the next decade.

Conflicts related to natural resources are also reflected in the proposed conditions in today's global trade cooperation, such as APEC and inter-regional cooperation. One example is the conditions regarding the environment safety standards

applied by the European Union and the United States. Moreover, non-government organizations in the related countries also keep resounding this issue.

e. Conflicts caused by cyber wars

There have been indications of possible cyber wars or information technology wars to weaken a country's defense since 2000s. Such action is carried out by a country's government to sabotage, hack, or spy on the computer, military, and defense system, or to retrieve secret data of another. This kind of action is usually well planned, using, for instance, a worm or a program that can damage computer devices and satellites as well as defense systems. In addition, the systems of electricity, water, fuel, transportation, and communication management are also prone to such type of attack.

Among the well-known weapons for this kind of war is a worm created by the US and Israel, called Stuxnet. Since the administration of President George Bush Jr, the program has been used to create disorder in Iran's uranium enrichment system through an operation code-named Olympic Games (NYT, 1/6/12). This activity has also been supported by President Barack Obama since the first day of his administration and is more advanced than the US' similar attempts to damage Al-Qaeda members' computer network or to support NATO's aerial strike in Libya in 2011.

In the meantime, the United States has detected China's attempt to attack its computer and defense networks, as

reported by Bryan Krekel (2009) and Desmond Ball (2011). Chinese military is believed to have adopted the "Local War Under Informationized Conditions" doctrine that is based on an architecture with complete networks to coordinate operations on land, air, sea, and space through electromagnetic spectrums. With this doctrine China also aims at controlling enemy's information channels to maintain its dominance in times of war, by way of 'comprehensive computer networks exploitation' to create blind spots in the opponent's information system for it to exploit.

The method will be implemented by China as a pre-emptive action or an anticipatory measure. The report above also mentions that it was already used by China to bug information from Taiwan, Japan, and the US. President Obama and President Xi Jianping have met to find a solution for the conflict. The United States claimed that based on a report by two confidants of President Obama, Director of National Intelligence Dennis Blair and the US Ambassador for China Jon Huntsman Jr, the hacking by China had cost the national economy more than USD 300 billion per year. The report maintains that China was responsible for around 70 percent of the theft of corporate intellectual property and trade secrets (NYT 25/5/13).

Cyber wars got in the way of the relation between Brazil and Canada as well. The president of Brazil accused Canada of having hacked its system in an attempt to steal the Brazilian government's secret information on mining and energy

"...the economic sector is expected to be able to make a breakthrough and pass the 'threshold of democratic stability' with GNI per capita at US$6,000, with better level of equitable distribution over the years. The problem is that currently Indonesian economists and economic authorities have not yet possessed adequately proven capacity to associate economy and development of industries as well as science and technology as they have focused exclusively on the macro aspects. "

(*The Globe and Mail* 7/10/13). The phone bugging on European leaders by the United States, as disclosed by Edward Snowden, is another concrete proof of ongoing wars of information technology. A similar case is the phone bugging on Indonesian President Susilo Bambang Yudhoyono by Australia that heated the relation between the countries at the end of 2013.

These five conflicts need a special attention in international relations. The possible effect for Indonesia does not only touch on its relations with other countries, but also on the unity of its domestic stance. Business actors or regional government may become divided, or merely dance to the rhythm played by other nations. This needs to be considered by all parties.

Regional Strategic Environment

East Asia is an open region and a hub of interaction of the world's major powers. This is due to its highly strategic position as the center of global economic growth. Unfortunately, this region inherited some unfinished political-security issues from the Cold War. Several

East Asian countries have achieved economic advancement, starting with Japan and followed by Taiwan, South Korea, and now China, but traditional issues on security in the form of territorial disputes are still a frequent cause for conflicts. As a result it became an area of tensions and military rivalries.

"Several East Asian countries achieve economic progress such as Japan, followed by Taiwan, South Korea and currently China. However, on the other hand, traditional security issues such as sovereignty dispute remain becoming a source of multilateral tension in the region. Consequently, the region becomes laden with military tension and rivalry."

The United States has shifted the focus of its foreign politics from the Middle East to Asia-Pacific, and the ensuing policy changes may give rise to polemics in the regions. The end of wars in Afghanistan and Iraq, the US-Iran agreement to temporarily halt Iran's uranium enrichment program, and the fact that the Syrian conflict did not seem like a part of the US strategic interest have made it easier for the US to move its resources from the Middle East to Asia-Pacific. This may also intensify the tension with China, which has an enhanced military force and is assertive regarding many security cases in Asia-Pacific.

Southeast Asia, driven by ASEAN, has grown as well economically. This region lies in a strategic position in terms of economy and military as it connects the Pacific Ocean to the Indian Ocean. In the last two decades, ASEAN member countries have been enhancing their military forces with emphases on sea and air capabilities. Like

East Asia, Southeast Asia is still dealing with territorial disputes and conflicts among ASEAN members in areas with either multilateral nature, such as the South China Sea conflict, or bilateral. In this kind of situation, ASEAN must work to develop not only a modality of internal relations, but also a modality to accommodate the presence of major countries in the region.

Moreover, ASEAN as a regional organization should work on building a mechanism that will create a comfortable environment for the regional actors. Otherwise, the development of armaments being done by each country may trigger conflicts. Therefore, it needs to be underlined that ASEAN was formed not to be a closed regional organization, but one that acknowledges the existence of major countries' interest in its jurisdiction.

Politically, the common regional advancement of this current center of global economic growth has been hampered by historical tensions from the World War. China and Korea's old wounds from Japan's invasions have not healed yet. It is shown, among other examples, by the fact the two countries always protest against every Japanese leader's visit to Yasukuni Temple, which serves as a symbol of honor for the Japanese casualties. The dispute over the Senkaku Islands between Japan and China is another manifestation of such tensions. Meanwhile, the Korean Peninsula remains divided into two opposing political entities. China and Taiwan stays in the 'status quo' having not yet found an agreed format for the long term. And Australia, which has been trying to identify with Asia, continues to represent the face of 'Western politics' more than that of Asia.

Unlike Western Europe that has a relatively similar standard format,

the difference in political style in the western Asia-Pacific is deep. Remaining scars from World War II can be found not only in the eastern part of Asia but also in the southeast. Indonesia and the Philippines, that are working to implement 'full democracy' ,have yet to find a way out of the middle income trap. Singapore has successfully transformed into a developed country with a guided democracy political system in place, something followed by Malaysia that has also progressed much further than many of its neighbors in Southeast Asia despite the political shakeups it has had to face. Thailand was relatively ready to become an industrial country but then had to be divided politically. In the meantime, Vietnam maintains its old communism and Myanmar adopts an approach resembling that of Indonesia's 'New Order' to preserve the current government's authority.

Such political diversity poses a risk for the effort of establishing a solid unity in the region. It is also correlated to the way each country handles its socio-cultural aspect. China believes that its treatment to its non-Han population such as the people of Tibet and Xinjiang is rightful, whereas other countries, including those from the western Asia-Pacific, view it as a serious human rights violation. The handling of Rohingya by Myanmar is a case criticized by other ASEAN members. At the same time, protection for foreign domestic workers in Singapore, Malaysia, Hong Kong, and Taiwan is an equally important matter to be given attention. Illegal drug problems are worsening in the region with China as the center of distribution. On another matter, intensive cultural penetration through art and cuisines similar to what was previously done by the United Sates has

also become a phenomenon here. The government of South Korea aggressively works to spread the K-Pop music to other countries, just as Thailand actively endorses the dispersion of its cuisines.

From an economic point of view, the western Asia-Pacific is the most dynamic region in the world and will remain so in the foreseeable future. China carries on recording the highest economic growth. Mid-level countries like Indonesia and the Philippines have also been producing an economic growth of more than five percent. In the industrial sector, China began to catch up with Japan, South Korea, and Taiwan, all of which are established industrial countries. Thailand and Malaysia were behind Indonesia decades ago but are now increasingly strong in the industrial sector. Together with Singapore, the two countries are among the major computer manufacturers in the world. Their companies are effective in expanding overseas as well. Thailand exports cars and dominates the animal feed industry in Indonesia. As for Malaysia, it expands with palm plantations while holding a strong position in the Indonesian banking industry.

With its high dynamics, the western Asia-Pacific region has brought a high level of prosperity to some of its member nations. Countries in the south and north of Indonesia have achieved a good Human Development Index (HDI). Australia, for instance, is ranked second in the world, while Japan, South Korea, and Singapore are 9th, 10th, and 18th respectively. Malaysia, Thailand, and even China, which bear the burden of a huge population, have also had a significant rise in prosperity level. However, those in the east and west of Indonesia still record poor levels of prosperity as reflected by their low HDI

ranks. These include western Pacific countries such as Papua New Guinea and South Asian countries such as India, which was once dubbed a candidate to be an important global economic power.

The most important natural-resource issue to be given attention is energy. A considerable economic growth and a large size of population require adequate energy support. Hopes in the region are still relying on conventional energy resources such as petroleum and gas to support growth. Other countries view Indonesia as one of the main sources of the energy here, taking advantage of the country's need to sell to get foreign exchange income. Australia is the only developed country that can fulfill its energy needs with its own production.

The dispute between East Timor and Australia over the Timor Gap is related to the existence of an energy source. The old territorial dispute in South China Sea involving China and some Southeast Asian countries is believed to be more than just about national sovereignty; it also concerns the interest to exploit natural resources. To not rely entirely on petroleum and gas, Japan and South Korea are intensively developing nuclear power plants. Japan reduced its use of nuclear power plants not long ago after a leak at the Fukushima nuclear plant caused by an earthquake and a tsunami. Having to bear a burden too heavy to depend on petroleum and gas, however, Japan decided to re-optimize its nuclear power plants.

From a defense point of view, the western Asia-Pacific is a region without a common concept of defense as one territory. Each country still cares only about its own interest in dealing with a neighbor in the same region. Chronic military tensions between North Korea

and South Korea, North Korea and Japan, China and Japan, China and Taiwan, and China and ASEAN countries are some highlights of the regional defense and security issues. At a lower level of tension, there are also the disputes between Malaysia and the Philippines as well as Malaysia and Indonesia over territorial claims. The extensive enhancement of China's military force in a few years to come may intensify these regional tensions, moreover with the United States beginning to move its resources from East Asia to Southeast Asia.

In addition to these concerns on international relations, there will soon be free trade issues in the western Asia-Pacific region. The development of free trade cooperation is an important matter to observe. Among the platforms for such cooperation are the ASEAN Free Trade Area or AFTA, the ASEAN-India Free Trade Agreement, the ASEAN-China Free Trade Agreement, the ASEAN-Korea Free Trade Agreement, the ASEAN-Australia-New Zealand Free Trade Agreement, the Trans-Pacific Partnership, and the Asia-Pacific Economic Cooperation (APEC). Aside from economic and trade cooperation, some bilateral matters often heat up the region, such as the illegal migrants case between Australia and Indonesia, the case of domestic workers protection between Indonesia and Malaysia, the smog issue among Indonesia, Singapore, and Malaysia, and the territorial dispute in South China Sea.

National Strategic Environment

There are many changes to happen to Indonesia in 2014-2019. The most crucial change will occur in politics, as the 2014 General

Election and the Presidential Election take place to determine who will be in office for the next five years. The legislative composition is not going to change much because around 90 percent of the current House of Representatives members have decided to run for another term. Having had more political experience now, they possess the capability not only to be re-elected but also to play a bigger role until 2019.

The executive branch of government will have a fundamental change with the election of the new president replacing Susilo Bambang Yudhoyono. It will be followed with the change of cabinet, which will alter policies as well as the main actors of the lower bureaucracies. It is expected that the administration of the 2014-2019 Cabinet be more effective and responsive in dealing with future challenges and dynamics.

The 2014-2019 Cabinet will generally be faster in making decisions and taking actions as the leadership style of the new president is likely to be 'more courageous' and not putting too much importance on carefulness, as the challenges are going to be more pressing, thus needing swift and concrete solutions.

The biggest politically challenge is related to the system and implementation of regional autonomy, which has not yet found a truly established format after all these years. There have been demands for breaking regions into smaller entities (*pemekaran wilayah*, literally 'territorial blooming') that are generally driven more by a small group's interest and pursued through political pressure. Likewise, regional governing practices are often detrimental to the national interest;

the politicization of the 'local son' issue is a case of such. Bureaucratic reform, meanwhile, remains a challenge following criticisms about the effort bringing only an improvement of 'remuneration' for civil servants so far and not increasing the required integrity and competence. Another issue for the next five years is the survival of the Corruption Eradication Commission (KPK), after indications of attempts to weaken the institution by some political circle while the Drafts of the Criminal Laws and the Criminal Procedure Laws were being reviewed in early 2014. Such political circle may have felt bothered by the existence of KPK, and it seems the feeling will not wear out until several years to come.

In addition, the demand for reform in law enforcement will enliven Indonesia in 2014-2019. It will not be voiced massively, only expressed in the critical views of scholars. The 'case trading' practice involving law enforcers – there have been some cases in the last five years – has not yet shown any signs of going away, despite the 'remuneration' program provided for the legal apparatus. This will result in potential foreign investors having a negative view of the legal assurance about investing in Indonesia's real industry sector instead of the capital market.

Another outcome of this weak legal assurance is the grassroots being prone to social and religious conflicts. Indonesia in the last five years has seen a lot of violence among the people, such as the Balinuraga case in Lampung and the attack on Shia followers that claimed lives in Sampang, Madura. This potential social risk, associated with the weakening of nationalism in Indonesia, will be easily instigated when public trust in the laws is weak. This matter

will persist within Indonesia's social sphere in the upcoming five years. The globalization of ideologies, from the Middle East and the West, as well as active promotions and avocations of liberalism from the United States will add to the sociocultural vagueness of the nation, which has always been fragile in terms of character and identity. In addition, globalization will also stimulate drug trade and even human trafficking.

Information technology is a very important aspect in Indonesia's 2014-2019 sociocultural context. On the one hand, it serves as a disseminating medium of foreign ideologies, such as pluralism and liberalism, without going through an 'Indonesianization' first so that they bring social risks. On the other, information technology also provides an opportunity for Indonesia to make a leap in all aspects of civilization. Therefore in the next five years, there is a fundamental need to optimize the use of information technology to bring the country forward in all aspects, including social. A strategy to optimize the use of technology and to develop science, technology, and arts, should be a future concern for Indonesia.

To make the development strategy of science, technology, and arts cohesive with the development of education is another challenge. In 2013 Indonesian students were ranked 64th among students from 66 nations in mathematics, science, and reading skills according to a PISA study by the Organization for Economic Co-operation and Development (OECD). In short, Indonesian students' reasoning skill was very poor, which of course explains the poor reasoning skill of school graduates managing various aspects of life in the country. At the same time, Indonesia is having a youth population boom

that is often positively termed as a 'Demographic Bonus'. These two challenges will remain for Indonesia to deal with until the upcoming few years.

So far, the Indonesian education authority has been trying to anticipate this problem by building a school management system, massively enhancing access to formal education up until the level of university, and developing the 2013 Curriculum. Some observers believe that the programs are indeed needed by Indonesia, but they have not solved the problem of quality. Looking at the current trend, the challenges for Indonesian education will remain the same in the foreseeable future. However, it does not seem that the most important aspects of quality improvement, i.e. teacher development and character building through modelling, are addressed yet. The same thing is true for comprehensive health development. So far, the only realized program is health insurance, or more specifically the most basic 'treatment insurance', and does not cover comprehensive health development.

The population boom is a challenge not only in education and health, but also in economy, especially regarding employment for the youth. For this reason, economists and economic policies for the next five years should really focus on maintaining economic growth and controlling macroeconomic stability as it has so far been. The challenges are the unstable and speculation-prone exchange rate of the rupiah, the level of subsidy for energy provisions that can diminish foreign exchange income, the industry sector that is not yet developed, and the export value growth that tends to be stagnant. The new government in office for 2014-2019 must be able to face

such reality.

The capability of Indonesia's economic authority with the support of the academic sector should be adequate to manage an economic growth of more than 5 percent several years from now, and to maintain the macroeconomic stability with a relatively low exchange rate of the rupiah as recently. Other than that, the economic sector will be required to increase distribution as agricultural products and imported goods are flooding the domestic market with the implementation of the free market system and foreign labor enters the Indonesian labor market. The future of farmers and home industries will be at stake here.

Its economic position now places Indonesia as a middle-income country susceptible to the 'middle income trap', something that may hold the likes of Indonesia and the Philippines from becoming developed countries. For that reason, the economic sector is required to make a breakthrough to pass the 'stability threshold of democracy' with a GNP of USD 6,000 per capita, and with a better level of distribution. The problem is that economists and Indonesia's economic authority have yet had a tested and adequate capacity to connect the economy to the development of industry and science, technology, and arts because they are more focused on the macroeconomic aspects. Moreover, the existing economic concepts and views, as expressed above by the world economists in response to the European Crisis, are seen to be no longer sufficient for managing today's economy. The economic authorities are required to be more open minded to learn from the implemented practices in every country.

Thus, the pressure to link the economic development to the development of industry and the management of environment will be higher in the future, especially with the energy issue being a fragile point of Indonesia. The problem of energy is one of the obstacles for the country's overall progress. There will be a need to formulate an economic resilience strategy with various resources such as petroleum and gas, vegetable materials, geothermal energy, solar energy, wind energy, nuclear energy such as the nuclear power plants developed in South Korea and other developed countries.

The pressure to manage other natural resources, such as marine forests, will increase in the next five years. As a country that serves as the world's lungs alongside Brazil, Indonesia's forest management is poor in terms of both conservation and industry development. The same is true for fishery and sea, which have always been exploited more by various parties other than the government. Poor management of natural resources is related to the quality of government management in general, which is related to the quality of education as explained before. This will be another challenge for the 2014-2019 government of Indonesia.

Regarding the nation's internal resilience there are several things to observe. Among those is horizontal conflict that may occur because of several factors. *First,* economic pressure, sociopolitical pressure, and population density in urban and rural communities. These develop at the same time as the country's ability to distribute economic, political, and social resources is weakening. The fact more than half of Indonesia's population live in Java, is an obvious example. *Second,* the emergence of identity politics with

ethnic manifestation and the strengthening of religious groups. This will only happen when economic and political resources are distributed unfairly based on identities. Usually, this identity-communal political problem lasts long and is very emotional in nature. Conflicts arising from identity politics tend to last for a long time, too.

Vertical conflicts happen between a state and its people in the form of armed separatism and political movements seen as national threats. Indonesia has long been facing vertical conflicts in Aceh and Papua with all their dimensions and characteristic changes until today. Looking at the roots, the two conflicts are really a mix of regional dissatisfaction with unfair economic distribution and responses to physical repression. These build distrust of and hate for the central government. Indeed, such sentiments can easily ignite armed separatist movements. Vertical conflicts get more complex when politically and emotionally involving cultural, ethnic, and historical aspects of an identity, especially if the separatist group seeks and receives international support.

Meanwhile, natural disasters remain an unavoidable threat to Indonesia. The country sits in the ring of fire, at the meeting point of the Eurasian and the Australian Plates. This geographical condition makes indonesia very susceptible to natural disasters. Indeed, there have been disasters resulting in large casualties and damage. The Aceh tsunami, the Yogyakarta earthquake, and the Pangandaran tsunami are some examples. Further back in the past, one may find other great natural disasters recorded, including the volcanic explosions of Tambora, Krakatau, and Agung as well as the deadly

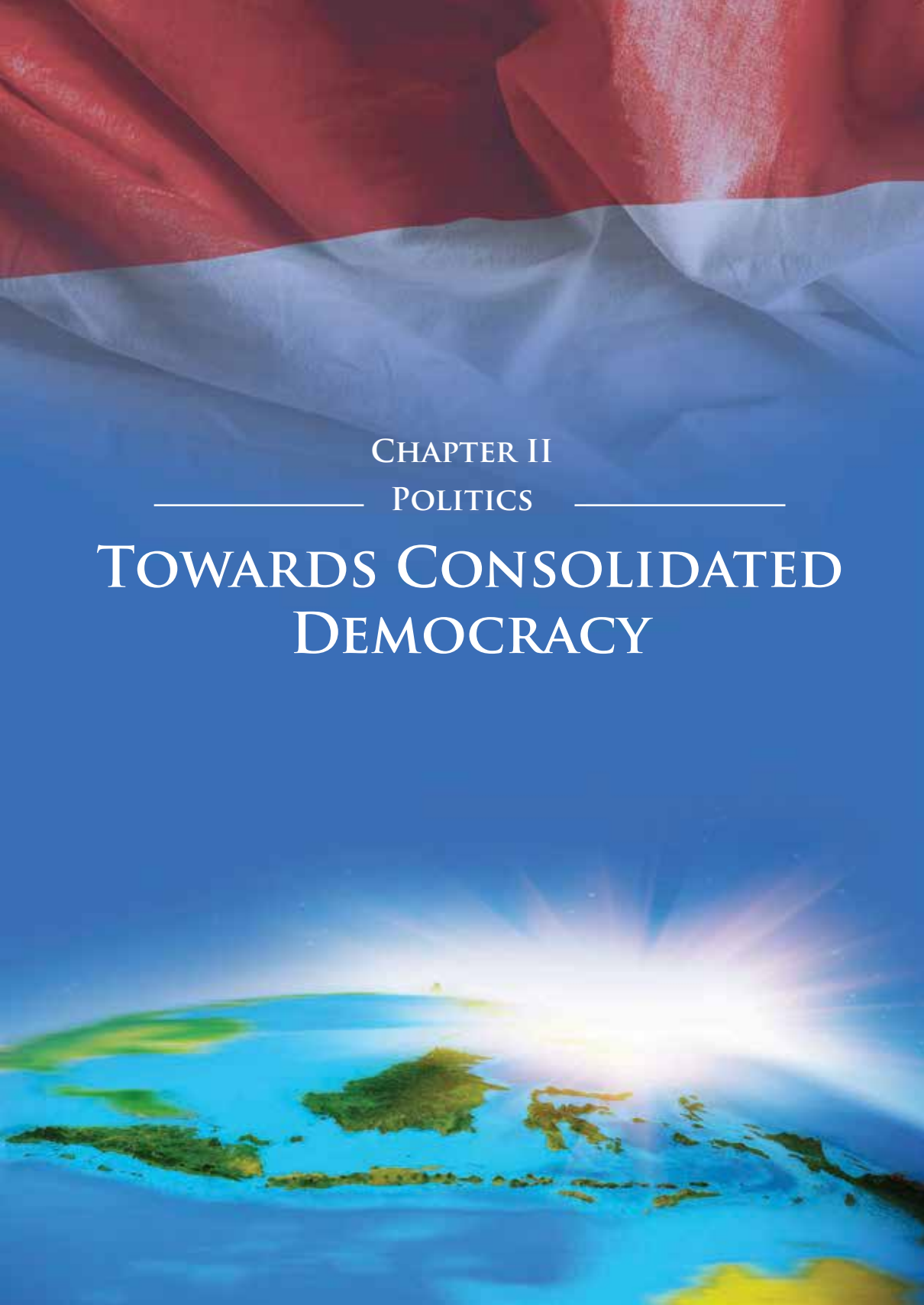
wave in Mentawai.

Amidst various threats, Indonesia must also be active in fighting for its national interest in the international arena. The national interest is simply defined as a country's goals and ambitions usually related to power or influence in global interactions. In general, Indonesia's position as the biggest democracy among Muslim-majority countries remains globally respected with its involvement in ASEAN, APEC, and other organizations. Nonetheless, Indonesia has not yet been effective in defending its national interests, especially in the aspect of economy.

Adopting the slogans 'thousands of friends and no enemies' and 'dynamic balance', Indonesia seems to put importance on harmony in its foreign policy, which is respected by other countries yet fruitless in pursuing its own interest. The management and capacity of the diplomacy actors need to be addressed to ensure protection of the national interest among other countries' businesses. Meanwhile, the realm of international relations has shifted to involving more non-state actors. In 2014-2019, these non-state actors that comprise transnational business, non-governmental organizations, education and research organizations, and mass media will play more active roles in international affairs.

The strategic environment at global, regional, and national levels in which Indonesia will find itself in the period of 2014-2019 is full of challenges. This is true in all aspects, including politics, social and culture, economy, natural resources, defense, and international relations. It takes determination, non-stop efforts, and

even integrity and humility to continuously learn to get over the problems. Awaiting behind the difficulties in dealing with all those is an excellent opportunity for Indonesia to leap forward fulfilling the hopes of the whole nation.*



Chapter II
Politics

Towards Consolidated Democracy

".... since hundreds of years ago, we, Indonesian people, have been in the same boat, which has developed our sense nationality and unity, and the unifying personality entrenched for generations."

~ HM- Soeharto-The 2nd President of the Republic of Indonesia ~

photo © wirasatria

Politics

TOWARDS A CONSOLIDATED DEMOCRACY

As of 2014, the process of political reform or democratization in Indonesia has been running for sixteen years. Where has the journey brought us? Has Indonesia become a democratic country? As summarized by Marcus Mietzner and Edward Aspinall (2010), observers' views and emission agreement on the success of democratization in Indonesia, are not the same. Some people view the democratization process in Indonesian has run very well, particularly when compared to other countries suffering setbacks after initiating democratization process for a while. In this case, the democratic transition process in Egypt becomes the most apparent comparator.

On the other hand, another group believes democratization in Indonesia cannot be considered to be truly successful. For this group, democratic change in Indonesia is merely superficial. General elections at central and local levels indeed exist, albeit making no significant changes in the Indonesian political economy structure. The power at various levels remains dominated by a handful of people. Indonesian people merely take part in the routinely-held General Elections which are heavily influenced by money politics and manipulation. Between these two groups, a group of observers considers Indonesia to have made democratic progress, despite still having structural problems such as corruption and weak law enforcement, which hinders the democracy to be perfectly consolidated.

Indonesia has made significant democratic progress, despite lingering structural problems such as corruption and weak law enforcement, resulting in imperfect consolidated democracy.

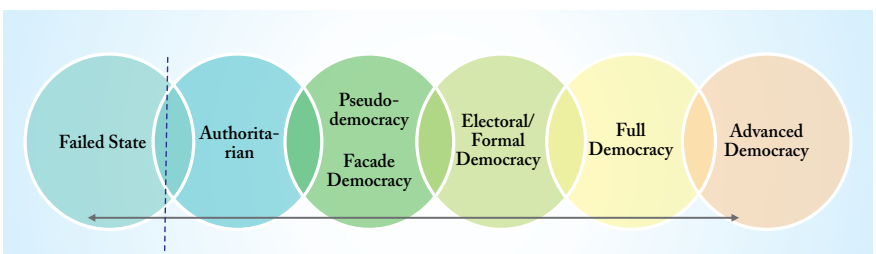
The difference in this view is closely related to parameters used to measure the success of democratization. Freedom House and those viewing democratization in Indonesia as an example of success tend to use minimalist definition of democracy, such as Schumpeter's emphasis stating that general elections exist to determine political leadership and Robert Dahl's definition of "polyarchy", with its views on institutional aspects.

Meanwhile, those viewing from the negative side are likely to see that institution aspects are superficial and false. Thus, the determination of definition applied will affect our evaluation of

success of democratization in Indonesia. So, what are the definition and parameter applied in this paper?

Indonesia's political future can be projected by drawing a "scenario line" consisting of six phases. To reach the ladder of democracy, the first prerequisite is the position of the 'state' which at least fits into the scenario of 'authoritarian state'. If the state is equipped with electoral institution under the state's control, the state level steps forward to 'pseudo-democracy' stage. When general election is performed independently, the state has now belonged to 'formal democracy' category.

Scenario Line of Future Indonesian Politics



Source: Andreas Schedler, 2001 & Jeff Haynes, 2001

At this phase, there are no strong guarantees for civil and political rights. Once the guarantees for civil and political rights have been strongly fulfilled, the state enters into the typology of 'full democracy'. The last ladder is optimal participation of citizens, which brings the country to the ideal typology called 'advanced democracy'. To find out Indonesia's starting point in the "line scenario" it needs to be determined which ladders Indonesian political system has been through.

Indonesian Political Position

The first ladder, the existence of a state or *stateness,* has been passed. Except for small-scale anomalies in Papua, the state remains sovereign throughout its regions. Monopoly of the use of violence (arms) remains under state's control, although the use of violence has also emerged from certain groups. However, it should be noted, this country is not something given and static. Failed States Index 2013 recorded Indonesia's rank shift in the index measuring the vulnerability towards "state's failure."

In general, all agree that Indonesia has surpassed 'authoritarian state' ladder by regularly holding general elections. Following the 1998 Reform, Indonesia has held the General Election in 1999, 2004, and 2009. Since 2004, presidential elections have been conducted directly. It is understandable considering political system restructuring becomes one of the top priorities, as seen in the laws and regulatory products at the beginning of the reform summarized in the following table.

Table 1. Major Laws and Regulatory Products In Early Reform Period

Law	Issues
Constitutional Amendment	Reorganization of political power structure of the People's Consultative Assembly (MPR), House of Representatives (DPR), and the President
Law No. 33/1999	General Election and political parties
Law No. 22/1999	Decentralization of governmental functions
Law No. 25/1999	Decentralization of finance/fiscal transfer

Source: Anies Baswedan, 2013

Under the laws born following the Reform, Indonesia has started to implement a multi-party system to replace the limited (three) political parties system that has been in place for thirty-two years by the New Order. The current law on political parties and general elections is very progressive compared New Order's thirty-two years of practices. At two lowest 'ladder', democratization has no dissenting opinions. Debate rises on the third ladder, questioning whether general elections have been truly fair, competitive, and inclusive.

Political reviewer of the University of Indonesia, Chusnul Mariyah for example, agrees that the 2009 general election was independent. However, she repeatedly stated, it was marred with fraud, or in her terms, a 'liberal Machiavellian election' – a liberal-but filled with gimmicks-election.[1]

By not denying the allegations of fraud in the execution, Indonesian general elections have been relatively fair, competitive and inclusive. This is seen from the dynamically changing results of Indonesian general election. In 1999, the Indonesian Democratic Party of Struggle (PDI-P) won with 33.7 percent of total votes. In 2004, The Party of the Functional Groups (Golkar) won with 21.6 percent of total votes. In 2009, the Democratic Party won with 20.8 percent of total votes. Table 6 below records three largest votes in 1999, 2004, and 2009 general elections.

Table 2. The Big Three of 1999, 2004, and 2009 Legislative General Election

1999		2004		2009	
Party	%	Party	%	Party	%
PDI-P	33.74	Golkar	21.62	Democratic	20.81
Golkar	22.44	PDI-P	18.31	Golkar	14.45
PPP	10.71	PKB	10.61	PDI-P	14.01

Source: General Election Commission (KPU), 2009

Thus, Indonesia has entered the "formal democracy" ladder. In the next phase, the debate turns more complicated: Has Indonesia strongly guaranteed civil and political rights? Freedom House gives 3 points (1 as the best and 7 as the worst) on civil rights and 2 points on political rights in Indonesia (1 as the best and 7 as the worst); hence by average, Indonesia is at 2.5 (rating of freedom) points which remain under the "free" category.[2]

Such positive index may be understood had the measure been comparing with other countries in the world. However, various violence by state officials (by commission) or neglect by the state (by omission) occurring in this country towards minority groups are making it difficult to say that the state has strongly protected civil and political rights of its citizens. According to Setara Institute report, 264 violations against religious freedom occurred in 28 provinces in Indonesia in 2012 alone.

By comparing the two institutions' report, Indonesia's position can be placed between 'formal democracy' with the existence of fair and

competitive general elections and 'full democracy' where democracy is built by fair and competitive general elections and strong protection to civil and political rights. 'Full democracy' has not been reached perfectly as the state has not been able to fully guarantee citizens' civil and political rights. Since "guarantee of strong protection to civil and political rights" ladder has not met, the next "optimal participation of citizens" ladder has not been reached.

Formally, all citizens are entitled to engage in politics. But in reality, not all citizens have access to the formulation of public policies that affect their lives due to elitist domination in Indonesian political society. Most public policies are formulated not for the public interest, but for personal and group interests. Therefore, to avoid interference by society, most public policy-making processes are conducted with no transparency. With this logic, we can see whether a country has reached the phase of 'advanced democracy'. That is, a stage of democracy in which every citizen can optimally participate in public policy by viewing at the level of transparency and corruption in the questioned country.

In this context, we must admit, Indonesia has not yet been included in the category of "advanced democracy". Perceptions toward the high rate of corruption and also the reality of rooted corruption in Indonesia cannot be denied. The figures show the facts. For example, Indonesia's ranking in the Corruption Perception Index released by Transparency International has not experienced significant improvement from year to year. Compared with 178 countries, we are still ranked in the top 100.

Chart 1. Indonesian Corruption Perception Index

Source: Transparency International, 2011

Indonesia's rank slightly improved in 2009 and subsequent years in relation to the Corruption Eradication Commission (KPK) performance which is considered relatively successful in solving various corruption cases involving state officials at various levels and sectors of government, from members of Parliament and the Council, regional heads, to ambassadors. From 2004 to 2013, 72 members of the House of Representatives and Regional House of Representatives, 8 judges, 9 ministers and heads of agencies, 9 governors, 34 mayors/regents/deputies, as well as 114 officials of echelons I, II, and III were arrested by KPK.[3]

In addition to reporting good news that state officials can now be convicted of corruption, the data also shows that bureaucracy is one of the loci where corruption is most prevalent. Not only is the amount of the stolen goods important, but also the bureaucracy dealing directly with the public. Therefore, democratization rolled out in Indonesia is to create sound public policy and oriented to services aimed to public interests.

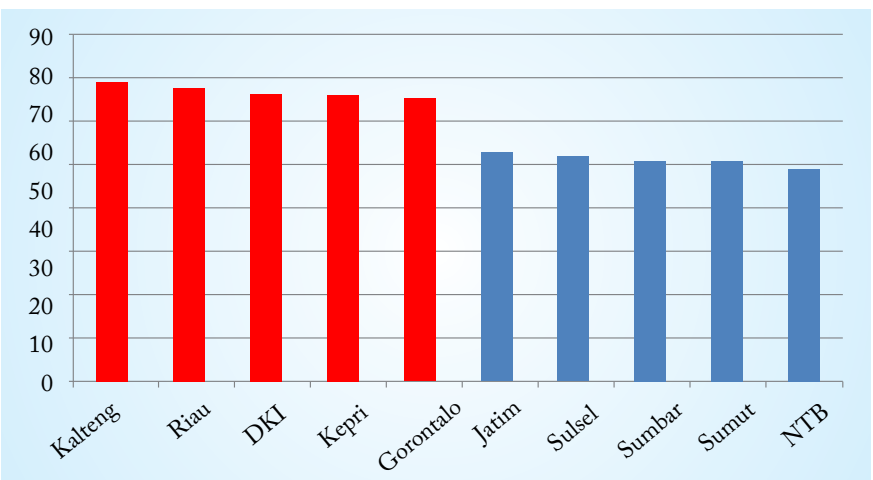
Indonesia's journey in the democratization process follows the transition of double-track lines as experienced by other new democratic countries. Double transitions involve the first track, which is the action to develop a competitive political system to amend the uncompetitive political system run by prior authoritarian regime. On the second track, naturally, the new democratic countries apply power decentralization, which was concentrated on a handful of people in central government to local governments. Both tracks are inseparable, with one affecting the other. Decentralization is expected to be able to strengthen democracy. Because, decentralization provides opportunity for local government to create favorable scope for democracy through a variety of ways, including improving quality of life through local development programs, developing accountability, improving responsiveness to the interests of local communities, and improving the degree of representativeness to shorten distances between ruler and the ruled.[4]

The development of democracy related to decentralization can be reviewed, among others, by viewing the Indonesian Democracy Index (IDI) in 2009 which was defined by a team and fully supported by the National Development Planning Agency (Bappenas). The 2009 IDI is relevant to be stated here given the measurements were carried out in a way that could capture the variations in each provinces in Indonesia. There are at least three important aspects of democracy, i.e. civil liberties, political rights, and the presence of institutions of democracy as summarized in the data. The review can be further explored, but at least this may help to see variations in the level of implementation of democracy throughout provinces. The chart shows difference in the

quality of democracy from one region to another. Central Kalimantan has the best democracy index, instead of one of the Javanese provinces which during the New Order generally experienced better progress compared to other provinces outside Java.

The same chart also shows, "big" provinces which have often been used as references, such as East Java, South Sulawesi, West Sumatra and North Sumatra, apparently have lower indexes of democracy, compared to other provinces. This means that decentralization allows us to see that communities scattered in different provinces have different qualities in running the democracy. Our Jakarta-centric, and to a certain extent "Java-centric" view in assessing everything, including the assessment of democratic "ability" of Indonesian society, should actually be changed.

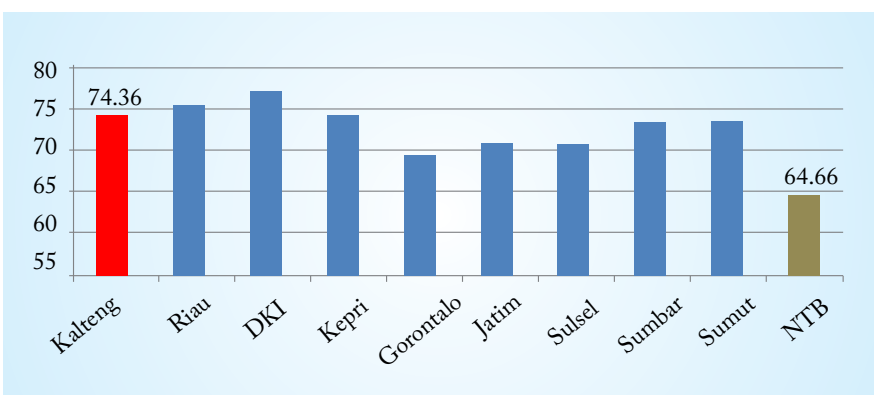
Chart 2. Indonesia Democracy Index
(5 Top and Bottom Provinces)[5]



So, what is the importance in acknowledging that one region is more democratic than the others? One reason is to see the link between democracy and people's welfare, as the political reform we achieved during the Reform, the democratization, aimed to create more just and prosper society. One way of measuring the level of social welfare is to use Human Development Index (HDI). It is interesting, therefore, to look at the HDI of ten provinces above, at least in 2009.

The following chart shows an important pattern to note. Five provinces with highest Democracy indexes (except for Gorontalo) in fact, have higher Human Development Index than the other five provinces with lowest Democracy Indexes. At least, this gives us an early indication about an associative relationship between democracy and community's welfare, with the Human Development Index in the ten provinces.

Chart 3. 2009 Human Development Index (HDM) in 10 Provinces with Lowest/Highest IDI



Source: Central Bureau of Statistics

Findings in regional level confirm the formulation on ten key indicators (particularly indicators of "welfare level") used to predict the trend of democratic consolidation development in Indonesia in this research. Decentralization itself will be discussed further as one of the "driving forces" in determining the political future of Indonesia.

Reading the Future

Indonesia's political reality as of 2013 becomes the foundation to see the future of Indonesia's politics, at least for the period of 2014-2019. To be able to conduct these matters, further studies need to be implemented to a number of important indicators that affect the future of political developments. These indicators include the level of welfare and economic growth; equal distributions; institutionalization of economic society; freedom of civil society; community political autonomy; bureaucracy; democratic political culture; and law enforcement and its enforcers.

- Indicators 1 & 2: Level of Welfare and Economic Growth

  Various parties inside and outside the country are likely to see aspects of welfare and economic growth in Indonesia in optimistic way. Chairul Tanjung, Chairman of the National Economic Committee (KEN) repeatedly stated Indonesia's bright projection. In 2050, Indonesia is projected to be the world's fourth-largest economy following India, China, and the United States (USA) with economy size amounted to US$13.9 trillion, above Brazil (US$11.6 trillion) and under the United States (US$39.1 trillion). In 2030, Indonesia is predicted to have become the fifth largest economy in the world and in 2020 will have been in ninth position.[6]

Chart 4. Indonesia's Growth and GDP Per Capita Projections by 2030 Vision Team[7]

With rapid economic growth, the level of welfare will also rapidly increase. Projections formulated by the 2030 Vision shows, Indonesia's GDP per capita will reach over 7,000 by 2020. The same optimism is expressed by observers from outside Indonesia, although economic growth rate prediction is not as great as those by KEN. In Imagining Asia 2020, Indonesia is predicted to be able to reach the level of United States' GDP per capita in 41 years (assuming economic growth of 6 percent).

Study findings by Adam Przeworski, Michael E. Alvarez, Jose Antonio Cheibub, and Fernando Limongi suggest relation between per capita incomes with how long a democracy can survive. A study towards 135 countries from 1950 to 1990 shows the higher per capita income; the more solid the democracy is built.

Table 3: Per Capita Income and Average Length of Democracy

Per Capita Income (US Dollar)	Average Durability of Democracy
< 1.000	8.5 years
1,000 – 2,000	16 years
2,000 – 4,000	33 years
4,000 – 6,000	100 years
>6,000	Unwavering

Source: Adam Przeworski, *et al.*

Referring to the research, it is natural if there is optimism that Indonesia will experience democracy development. Assuming that US$6,000 is a critical point which will lock the democratic path to avoid 'democratic reversal', democracy in Indonesia will be able to survive sustainably if Indonesia has managed to achieve such figure in the period of 2015-2020.

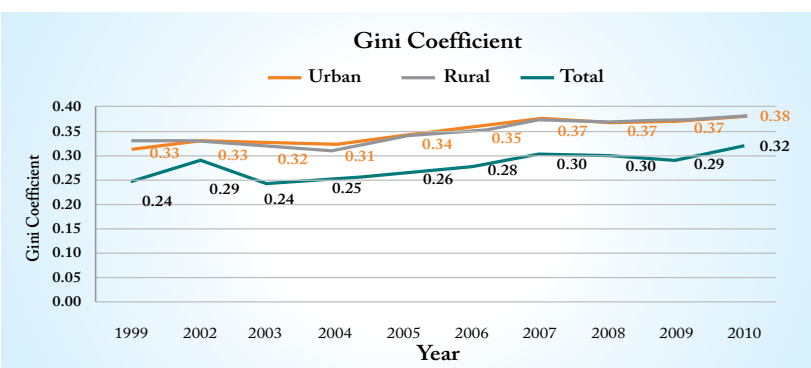
However, these optimistic predictions must be addressed with caution as it is based on the development assumption which is fixed, linear and positive. For example, KEN's optimistic predictions are based on four key factors: good political environment, integration with regional and global networks, demographic (low dependency ratio and growing productive population), and strong financial system. If one of these four factors (except for demographics which cannot be changed relatively quickly) experiences shock, such positive trend for democracy consolidation can change rapidly.

The critical point that can be identified in both indicators is "economic crisis." If there is a huge economic crisis and Indonesia's financial system is not able to deal with such shocks, positive trend of economic growth and increased welfare will be affected. As the result, the consolidation of democracy will be hampered. In addition to strengthening consolidation of democracy, economic growth and welfare development also depend on the consolidation of democracy that will sustain both. Then, viewing other indicators affecting the development of democracy is significant.

- Indicator 3: Equal Distribution

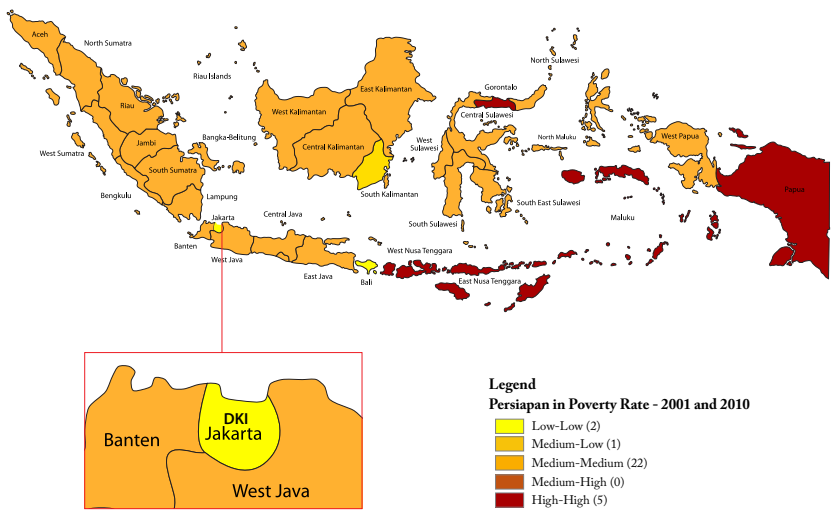
Indonesia's economic growth rate is apparently not compensated by speedy equal distributions of development outcomes. In general, Indonesia has experienced an increasing trend of social inequality, as indicated by Gini coefficient increase. Social inequality in the measurement of Gini coefficient increased by 5 points from 0.33 to 0.38 in 2010 (1 is the highest value of the inequality). In 2012, Indonesia's Gini coefficient has increased to 0.41.[8]

Chart 5. Indonesia's Gini Coefficient in 1999-2010[9]



The increased inequality is also complicated by inter-regional gap due to uneven development. Riyana Miranti, *et al.* research (2013) showed no significant changes in the percentage of poor people in 2001-2010. The map formulated according to the percentage of poor people in 2001-2010 describes inter-regional gap clearly: Eastern and Middle Indonesia generally marked with red, indicating high level of poverty in 2001 and 2010.

Chart 6: Indonesia Poverty Map (2001-2010)[10]



In a study on the consolidation of democracy, it is believed that the increase in equal distributions will give positive effect for the consolidation of democracy. Meanwhile, the increase in the gap will challenge the consolidation of democracy. In this equal distributions indicator, if we accept this view, the consolidation of democracy will face serious obstacle.

The critical point that may reverse this trend is decentralization. If decentralization runs well and effectively, the gap can be suppressed. In contrast, if decentralization becomes "decentralization of corruption," the gap will be maintained and become serious obstacle to the consolidation of democracy. Thus, the third indicator will be associated with the fourth indicator.

- Indicator 4: Economic Society Institutionalization

  Linz and Stepan in *Toward Consolidated Democracies* stated, a consolidated democracy is in need of norms, institutions and regulations to mediate between the state and the market (as they call "economic society") with fair and independent. There is no democracy with centralized economy except perhaps during wartime; on the other hand, there is no democracy where the state has no role at all.

  In Indonesia, efforts to achieve institutionalization have been conducted through a variety of laws, one of which, Law of the Republic of Indonesia Number 5 of 1999 on Prohibition of Monopolistic Practices and Unfair Business Competition. In addition, efforts of economic society institutionalization are also strongly related to the fight against corruption; as corruption (especially those involving state officials and entrepreneurs) is the most obvious sign that the economic society institutions mediating between the state and the market are not properly functioning. For example, by providing gratification, entrepreneurs receive project share from government. Other example is state resources that are used for the interest of economic groups that control access to these resources. In corruption, boundaries between the state and the market blur.

In this context, implementation of the efforts to institutionalize economic society becomes serious challenge. One of the main factors is because those who control access to economic resources attempt to collect even more access to economic resources through political process. For some skeptics on democratization in Indonesia, Indonesian democracy has been hijacked by New Order elites but did not fall with Suharto. These elites later compete to collect economic resources by engaging in political activities.[11] In addition, new players in Indonesian politics have similar attitude, as we see in corruptions involving political parties as always shown in national television. But we also see some positive developments such as KPK's success in solving various cases of corruption that undermine the institutionalization of "economic society" or bureaucracy reformation, led by various regional heads in Indonesia.

> The elites, born and raised by the New Order but escaped the effect of the fall of Suharto, rush to gather economic resources with their involvement in politics.

In this fourth indicator, we can see efforts being conducted to institutionalize "economic society," which is the arena for mediation between the state and the market. There are many more challenges in these efforts, especially due to rampant corruption. However, we also see many developments that should be appreciated.

The critical point in this indicator is the "success of the fight against corruption". If the anti-corruption efforts gain widespread

support from the community and the leadership of the country, boundaries between state and market can be established and each can function optimally. The driving factors that may affect this matter, among others, are the increasing number of middle class, which can be more powerful suppressor against corruption practices, and information technology development that enables more robust control on utilization of the state budget.

- Indicator 5: Alive and Free Civil Society

  In this indicator, Indonesia's tendency is also various. Freedom House, an international organization monitoring civil and political freedom throughout the world, notes that in general, Indonesia's civil society is quite alive and free. The organization states that various sectors of civil society are relatively free albeit monitored by the government. Media freedom and freedom of expression are guaranteed, albeit common censorship to norm-violating contents. This organization also notes that Indonesia has a strong and active civil society, in spite of the existence of several human rights groups monitored by the government. In general, academic freedom is also acknowledged.

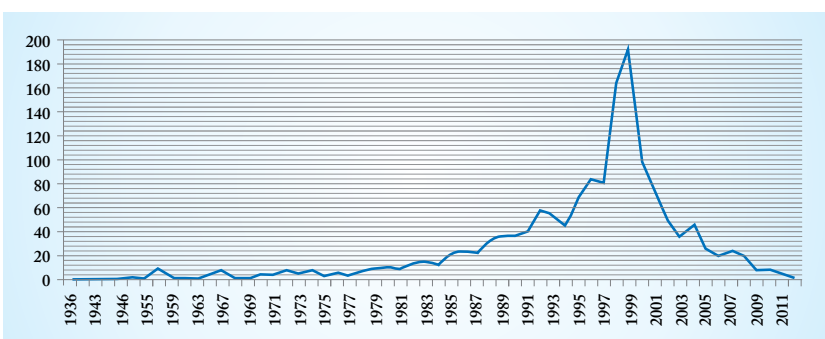
  Even so, civil society activists were pressured in many events. The State is also reported to conduct frequent violence and human rights violations against civil society. The Commission for Disappeared and Victims of Violence (KontraS) report entitled "*Penyiksaan: Tindakan Keji yang Tidak Dianggap Serius*" ("Torture: A Despicable Act Not Taken Seriously") records a total of 49 people were victims of torture over the time span of

2010-June 2011. Freedom House also notes no cases of serious human rights violations have been successfully prosecuted even after democratic transition.

The data relates to the aspect of "freedom." Then, how "alive" is Indonesian civil society? NGO Review written by STATT, consultancy agency requested by AusAID to conduct research on non-governmental organizations (NGOs) in Indonesia, estimates approximately 2,293 NGOs are active throughout Indonesia. Field research carried out for the review writing found among civil society organizations registered in the Ministry of Internal Affairs (11,468 organizations), around 20 percent are active.[12]

The NGO populations are concentrated in Java. 22 percent of total NGOs registered in Indonesian government are located in Jakarta. The study also found a correlation between local income and the presence of NGOs: the higher regional income, the more NGOs established in the questioned region. Another interesting STATT's research finding is that about 37 percent of the NGOs were established throughout 1997-2001.

Chart 7. NGOs' Years of Establishment[13]



Thus, we see democratization opens wider space for non-governmental organizations. As to why fewer non-governmental organizations established after 2005 is related to the development of these institutions that are relatively well-established currently.

Another positive trend is the growing middle-class people with access to information technology known as social media. Albeit still limited to urban population, the use of social media has been able to affect public discourse as many officials, political figures, activists and journalists exist in the social space. A few examples show the potential power of civil society when managed by social media, such as a feud between the Police and KPK (*Cicak vs. Buaya*—lit "Gecko vs. Crocodile"—Confrontation) and "Coins for Prita" case. Urban youth communities also organize networks through a variety of youth organizations to optimize social media. Indonesia, especially Jakarta, is among the highest ranks among the world's major cities with highest number of Facebook users according to www.socialbakers.com.

Table 4. Cities with Largest Facebook Users Worldwide[14]

#	City	County	Users
1.	Bangkok	Thailand	8 682 940
2.	Jakarta	Indonesia	7 434 580
3.	Istanbul	Turkey	7 066 700
4.	London	United Kingdom	6 139 180
5.	Bogota	Colombia	6 112 120
6.	Sao Paulo	Brazil	5 718 220
7.	Santiago	Mexico	4 294 820
8.	Mexico City	Chile	4 129 700
9.	Mumbai	India	3 700 460
10.	Buenos Aires	Argentina	3 533 840

Although the general trend is positive, some negative trends also exist with the emergence of the Civil Society Organizations Act (CSOs Act) which is considered to limit the space for civil society. Another important note is the unequal distribution of NGOs that may worsen with the growing role of social media, due to concentrated access of social media in urban areas. In Indonesia, internet penetration remains small at 34.1%. However, the penetration grows rapidly; especially with mobile phone technology with access to internet at low prices.

Matter that may change the situation rapidly is a political decision which pushes the limit and controls the activities of civil society, such as stricter civil society organizations laws or laws governing the use of social media.

- Indicator 6: Relatively autonomous political society

  There are two important trends to be observed in the aspect of "political society": political party and decentralization. In political parties, almost all political reviewers believe that healthy democracy requires healthy political parties.

  In connection with this, there is a tendency of stagnation or even decline in the management of political parties. Political parties are increasingly concentrated in the hands of influential elite, hence the electoral achievements are related to the influence of such individuals.

  For example, the Democratic Party received only 7.5 percent of votes in 2004, which increased to 20.9 percent during President

Susilo Bambang Yudhoyono tenure. Meanwhile, PDI-P, winning 33.7 percent in 1999 election thanks to Megawati's popularity, received only 18.5 percent of votes in 2004, as her popularity declined.

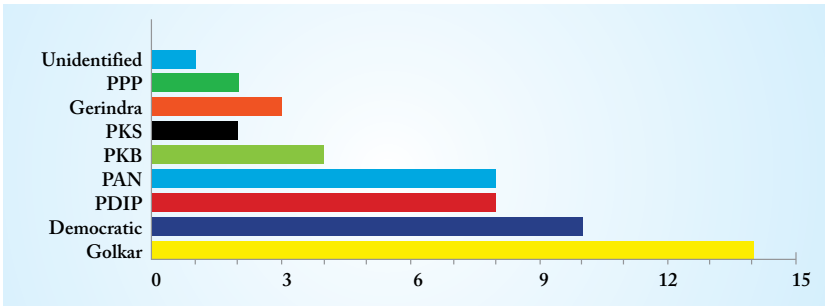
Rampant corruptions conducted by party elites, either at central or regional levels also affect the presumption that the parties are no longer representing the interests of the society. Golkar and PDI-P rank first in the number of regional heads from the parties involving in corruptions. 52 regional heads from Golkar and 33 regional heads from PDI-P were involved in corruptions.[15]

Table 5. Corruption Cases of Regional Heads by on Party

No	Partai	Permitted	Not yet Permitted	Handled	Number Investigated
1.	Functional Groups (Golkar)	26	10	16	53
2.	Indonesian Democratic Party - Struggle (PDI-P)	20	12	1	33
3.	United Development (PPP)	4	1	0	5
4.	Democratic	5	4	2	11
5.	National Mandate (PAN)	5	0	0	5
6.	Prosperous Justice (PKS)	0	1	0	1
7.	National Awakening (PKB)	6	0	0	6
8.	Coalition	15	9	7	31
9.	Independent	1	0	0	1
10.	Unidentified	1	1	0	2
	Total	**83**	**38**	**26**	**147**

Source: ICW 2012 Corruption Trends Documentation

Chart 8. Number of Party Elites in Central Level Involved in Corruptions[16]



Source: ICW 2012 Documentation

Such political parties' "achievements" affect people to lose strong political parties identification. CSIS national survey found only 4.7 percent of respondents have political party membership card and only 2.5 percent have donated funds to political parties.[17]

The second important trend is the so-called "decentralization." Countries recently experiencing democracy transitions often conduct the double track transition, which include: (1) development of a competitive political system to replace the uncompetitive political system run by previous authoritarian regime and (2) decentralization of power, from the previous concentration in small central government to local governments. In this context, decentralization is an important trend that will greatly affect realization of a relatively autonomous political society. Decentralization can be viewed as a political process in which distribution of power is territorially carried out. Decentralization includes transfer of obligations, resources, and authority of governmental units at a higher to the lower level.

Various academic studies found associations between total area of governance and democracy. Two-thirds of countries with population of less than one million people are categorized as 'free', while only one-third of countries with more than a million people are categorized similarly. In a large country such as Indonesia, decentralization can shorten the gap between government and society, which is expected to create a more sustainable democracy.

In general, decentralization gives positive trend for the consolidation of democracy in Indonesia. Studies on the effects of decentralization in new democracy show the impact of decentralization on voter's behavior. Remmer and Gelineau in their study on Argentine politics found voters living in different areas to a certain degree also consider and compare differences in inter-regional economic situation with the economic situation of the area where they live.[18] These findings are similar with those found by political researchers on democracy transition in Eastern and Central Europe.

Direct local elections provide opportunity for people to evaluate ruling leaders and parties by comparing with local leaders in other areas. Gradually, local leaders will be encouraged to become more accountable. This trend has been proven, for example, by the emergence of outstanding local leaders who later become alternative leader candidate in national political stage.

Based on the above discussion, in this indicator we find positive and negative trends. Negative trends appear in the management of political parties, while there are positive trends in decentralization.

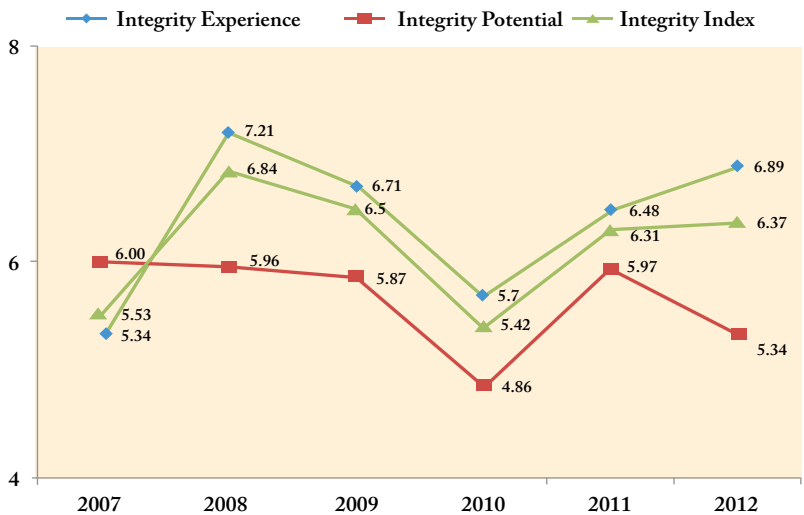
Thus, there is also a critical point in the two aspects. After 2014 when powerful figures such as SBY and Megawati begin to lose their influence; will the parties be able to reorganize the management to function properly? Will decentralization be sustainable or is there a push to recentralize power to central government?

- Indicator 7: Well-Functioning State Bureaucracy

  Reformation of the bureaucracy has become an important agenda in the political reformation and governance in Indonesia. To carry out the bureaucracy reformation, many efforts have been carried out, either related to institutional or human resource quality. This paper is not going to discuss complex bureaucratic reformation comprehensively as not included in the purpose of this study. However we would like to see how the trend development will be.

  In connection with the objectives, an indicator may help us see the progress. Since 2007, KPK has been publishing public service integrity report to receive real picture on the performance of public services as well as potential abuse of power in the forms of collusion and corruption. Based on the experience of corruption indicators and potential corruption in public services, indicators to assess the integrity of various public services are formulated, entitled the National Integrity Index. Based on reports from 2007 to 2012, we find the fluctuation of National Integrity Index, which shows that bureaucratic reformation progress measured through the quality of public services, has not shown significant progress.

Chart 9. 2007-2012 National Integrity Index[19]



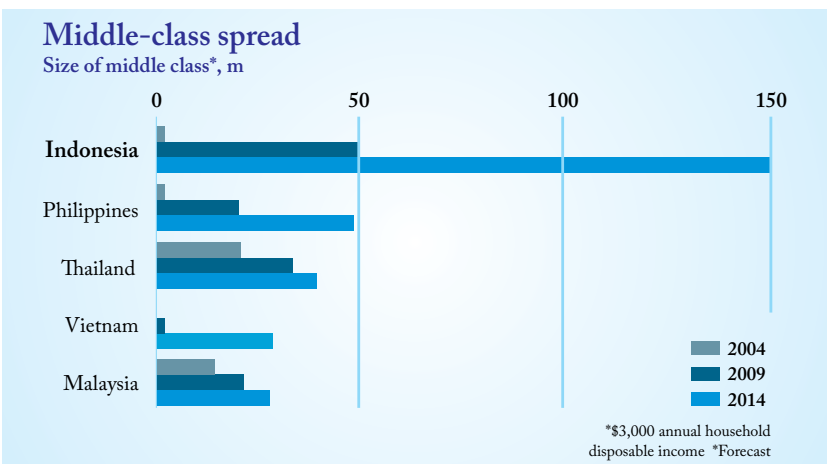
In addition to indicate stagnation, the above chart also indicates the quality of public services in Indonesia (in this context, whether or not the bureaucracy is functioning properly). Other countries such as South Korea, stated by the KPK, has the Integrity Index of 9. In 2012, 20.6 percent of respondents still claimed to pay additional fee outside the official fee to obtain public services.

In general, we can see that the achievement of bureaucratic reformation in Indonesia has not shown significant results. However, as the bureaucracy relates to politics and culture, rapid changes cannot be expected. As a result, there are some positive trends that should be appreciated, such as utilization of information technology to facilitate public services, for example, with the launching of http://satulayanan.net/. Along with

increasing internet penetration, we expect that public service will utilize information technology to improve bureaucratic functions.

Other positive trend is the growth of the middle class in Indonesia. The Economist predicts, in 2014 Indonesia will have about 150 million people in the middle class. The growing number of middle class can exert influence on the bureaucracy as they tend to be more empowered to provide criticism on public services they receive.

Chart 10. Southeast Asian Middle Class Growth[20]



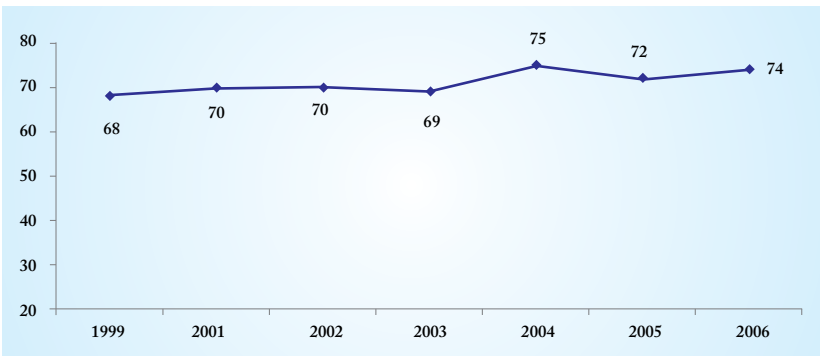
Source: Nomura; World Bank; CEIC

- Indicator 8: Democratic Political Culture

The next important indicator is the existence of a democratic political culture. At the community level, this can be seen from how wide a community supports the implementation of democracy as a political system in Indonesia. Unfortunately, current research that measures the level of support for democracy is extremely

limited. One survey conducting the research was performed by the Indonesian Survey Institute in 2003-2006. Added with several previous surveys, these reports provide a portrait of the development of support for democracy from 1999 to 2006.

Chart 11. Percentage of Community Supporting Democracy as the Best System to Apply in Indonesia[21]



The chart shows a steady trend, ranging between 70 percent. The figure remains below established democratic states such as Germany at 93 percent, or the United States and Japan at 88 percent. The percentage is almost similar to the percentage of support for democracy in Mexico and the Philippines where democracies are still unsteady. This range of figure is also found in more recent study in 2010, IFES Indonesia survey found 72 percent of respondents having the knowledge about democracy state their fondness of the democratic system.

Viewing the development from 1999 to 2010 from various

surveys, we can see that support for democracy is relatively stable at around 70 percent. However, we also see a declining tendency that needs to be monitored. While, research that confirms a setback view to democracy is nonexistent, but the symptoms found in society must alert us. For example, stickers containing message of the nostalgia in pre-1998 reform are spread. The stickers read "*Piye Kabare? Enak Jamanku tho Le*?" ("How are you? Easier in my time, wasn't it, Son?").

Stickers containing message of the pre-1998 reform nostalgia are spread, reading *"Piye Kabare? Enak Jamanku tho Le?"* ("How are you? Things were much better back in my time, weren't they?").

Another trend that must be addressed properly is the development of technology that facilitates easier exposure to various ideologies that contrast to democracy. In various segments of society, there are groups rejecting democracy. Indeed, the attitude towards these groups should be done wisely, to allow them to be "absorbed" into the democratic system. Further on this subject will be discussed in democracy and ideology.

- Indicators 9 & 10: Just Law Enforcement and Reliable Law Enforcers

  This section actually discusses two indicators, i.e. law enforcement and law enforcer. However, both indicators can be seen as a whole. Why, then, were they not written separately in the methodology?

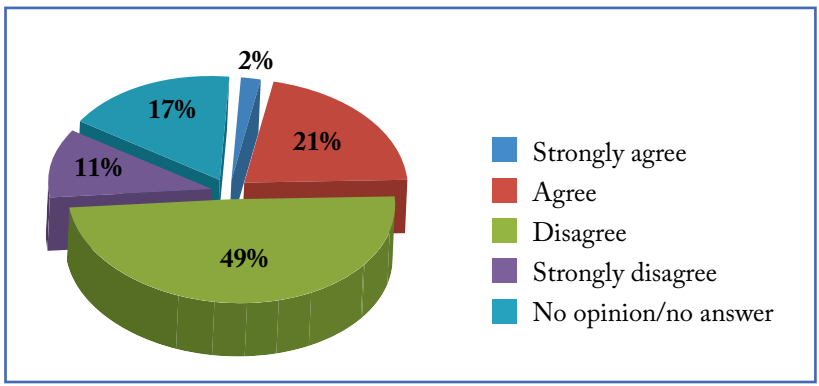
It is to allow us to see two separate things simultaneously: law enforcement process and law-enforcing institutions.

In 2013, Indonesian Legal Roundtable published a report on the views of people about law enforcement in Indonesia. The report shows law enforcement in Indonesia still needs a lot of improvements. There are five rules of law elements to be included into the perception index indicator of the state of law, which include: (1) law-based governance; (2) the independence of judicial power; (3) respect, recognition and protection of human rights; (4) access to justice; and (5) open and clear regulations. In this study, the fourth and fifth elements can be included to see the ninth indicator (just law enforcement) while the first and second elements can be used to see the tenth indicator (reliable law enforcers).

The index shows the issue often discussed by the public: that our law enforcement is weak. In terms of access to justice as well as open and clear regulations, each of these elements consecutively receives the scores of 4.27 and 3.13 (with 10 as maximum score). In terms of law-based governance and independence of judicial power, the index scores consecutively at 4.77 and 4.72.

If we browse through deeper, we will find that public's view on law enforcement is currently very low. ILR Research shows 60 percent strongly disagrees and disagrees with the statement that judges in Indonesia are free from bribery.

Chart 12. View on Judges and Bribery



Source: Indonesian Legal, Roundtable. 2013

Based on the above discussion, we see law enforcement and law-enforcing institutions in Indonesia are perceived poorly by the public. Of course, albeit not 100 percent describing the condition, such perception shows both are in need of improvements. Although the size of the two indicators shows poor achievement, there are some positive trends that may strengthen.

The first positive trend is the presence of KPK and its success in restoring public trust in law enforcement, at least in relation in eradicating corruption. However, we still see conflict between KPK and other state institutions in the effort to eradicate corruption. Another positive trend is similar positive tendency that affects previous indicators, such as growing middle class and the increasing use of Internet, which may strengthen the monitoring of law enforcement and law-enforcing institutions.

Of the various indicators mentioned, the possibility of progress or setbacks of Indonesian democracy's future can be indicated.

To facilitate further analysis, the development trends of the ten indicators are summarized in the following table:

Table 6. Measuring Scenario Possibility

Elements	Key Indicators	Increase	Decrease	Critical Point
Economics	Welfare Level	Increased with note		Economic crisis
	Economic growth			
	Level of equitable distribution		Decreased	Decentralization Economic Crisis
	Economic society institutionalization	Stagnant		Corruption Eradication
Politics and Governance	Alive and free Civil society	Increased with note		Middle Class Information Technology
	Autonomous political society	Mixed (Positive: Decentralization)	Mixed (Negative: weakened parties)	Decentralization, Party strengthening (especially after 2014)
	Well-functioning state bureaucracy	Stagnant		War against Corruption Middle Class Information Technology
	Democratic political culture	Stable/Stagnant, with the possibility of setback		Non-Democratic Ideology Trust on State
Law Enforcement	Just law enforcement	Stagnant		War against Corruption Middle Class Information Technology
	Reliable Legal institutions (law enforcer)			

From the table, three indicators show rising trend, i.e. the level of welfare, economic growth, and alive and free civil society. One indicator, the level of equal distribution, tends to decrease. Another indicator has a tendency to mix, i.e. autonomous political community. The remaining five indicators, i.e. economic society institutionalization; well-functioning bureaucracy; democratic

political culture; just law enforcement; and reliable law-enforcing institutions are stagnant.

Although this study was not conducted by the quantification of these indicators, at least we can guess that the development of consolidation in Indonesia will tend to be stagnant, albeit several progresses and setbacks in some aspects. Thus, the most likely scenario to happen in 2020 is that Indonesia will not shift much from the current position in the scenario line, which is in between the "formal democracy," and "full democracy."

In general, the possibility of Indonesia experiencing democratic reversal and turning into an authoritarian or a failed state is rather small, unless triggered by the occurrence of a major events such as severe economic crisis or a large degree of loss of confidence in the state resulted in the failure of the war against corruption and institutionalization of political parties. On the other hand, Indonesia also seems to have difficulties to progress into a 'full democracy' or 'advanced democracy' state, unless Indonesia can take advantage of all critical points toward a positive direction, such as eradicating corruption, well decentralization, the strengthening of middle class, and utilization of information technology to oversee democratization.

Short-Term Scenario

As viewed in the long term scenario discussed earlier, political reform project in Indonesia will tend to be stagnant, unless significant events in the identified 'critical points' occur. In this context, the inertia will be faced with an important momentum that will provide

opportunities for the various possible 'critical points', to allow sharp turn in the direction of Indonesian political development; either from stagnant position to democratic progress or from stagnant position to democracy setbacks. The 2014 General Election is the 'critical point'.

Political constellation formed post-2014 election will have great opportunity to affect the 10 indicators that reflect development of democracy consolidation progress in Indonesia. For example, if the new government is strong and committed to the eradication of corruption, Indonesia's democracy will move forward as some indicators, such as institutionalization of economic society and law enforcement, will be shifted to a positive direction. On the other hand, if what formed brings political constellation that incapacitates policy-making activities, our chances of being hit by economic crisis will create opportunities for democratic setbacks. This is related to its impacts in indicators 1, 2, and 3.

Political constellation following the 2014 General election could not be separated from the dynamics of the previous years. Figures who were originally nominated as president will be quickly surpassed by newcomers in national political scene. Although various surveys were conducted, it is difficult to predict the number of votes received by each party until election result has been announced legally. Despite the highly dynamic development, at least the general trend is relatively unchanged; this may provide clues about political features following the 2014 election, with several tendencies: (1) The absence of dominant party; (2) The strength of a figure; (3) The influence of party elites; and (4) The number of non-party groups.

Since the multi-party system has been applied, we can see there is no dominant party. Post-Reformation, no parties receive above 50 percent of total votes. The highest number achieved post-reform was 33 percent by PDI-P in the 1999 general election. Afterwards, highest votes continue to decline. Significant decline in the number of parties in 2014 in fact was incapable of raising highest votes significantly such as during pre-Reform. This means no political party appears to be a dominant force.

As in 2004 and 2009, which confirmed the persona of SBY, the tendency of the public will remain directed to figure's persona. This can be significantly seen in different levels of votes obtained by elected president in 2014 with votes obtained by parties supporting elected president. This means, the society prefers the figure rather than political parties, even political parties supporting the figure.

In addition, political dynamics is also determined by the role of party elites. Prior to general elections, party elites may influence the formulation of laws and electoral preparations. Following legislative elections, even insignificant votes of each party, including winner of the general election will strengthen the lobbies among the party elites. Lobbies among party elites will play important role in the future of Indonesian politics post-2014 election.

No less important tendency is the size of group without affiliation to any political parties. CSIS National Survey found only 4.7 percent of respondents own party membership cards while mere 2.5 percent have contributed funds to the party. Table 13 also shows 42.5 percent of respondents have not yet made choice of political parties.

Impacts on the Future

If outstanding events do not happen in the national political map, the future of Indonesia following the 2014 election can be well predicted. Indonesia's political map will be colored with rainbow coalitions led by president and party elites. Political constellation will be more or less similar to the previous ones. There will be no dominant party; therefore all parties shall form coalitions. Within the coalition, party elites will play important role. In addition to party elites, important role will be played by elected president as the central figure who receives direct mandate from the people.

In the perspective of long-term scenario, presumably what are the impacts of such "Rainbow Coalition"? The first impact relates to policy-making impact. With a coalition containing various parties, could policy-making be conducted effectively and efficiently? If policy-making is often ineffective and inefficient due to becoming a scene of negotiations between political elites, will the government be able to make the most appropriate policy in the event of a major crisis that must be addressed with solid policy? As discussed in the previous section, 'economic crisis' is the possibility of 'critical point' that could create democratic setbacks if not managed properly.

Other impacts are directly related to indicators of democratic consolidation development, either aspects of economic, political, or rule of law. If what formed is a rainbow coalition, will the "war against corruption" that brings positive impact to the institutionalization of economic society and strengthening political community win? Will decentralization be able to perform effectively as a means of wealth

distribution and strengthen free autonomous political society and civil society?

There are no certain answers to these questions. Therefore, the answers would be related to several determining factors. The first factor is the leader figure (president). How strong is the elected president, including when he/she is opposed by his/her supporting coalition? How strong is his/her commitment to the eradication of corruption and bureaucratic reform? The second factor is political party. Will political parties strengthen themselves with good regeneration? Will the elites act on constituents' interests or just for personal interest?

Democratization and Ideology

Ideology is one of the important aspects related to the consolidation of democracy. As mentioned at the beginning of this paper, the consolidation of democracy is characterized by the spread of political actors receiving the implementation of democracy and having loyalty to democracy as the rule of the game. Those who ideologically reject democracy experience moderation and accept democracy as the rule of the game. Initially, this commitment is instrumental, in the sense that a democratic political system is viewed as a means to achieve their ideological objectives. Along with strengthened consolidation of democracy, instrumental commitment turns into a fundamental commitment to democratic framework.

Thus, in general, we may say the development of democratic consolidation in Indonesia can be viewed from the level of acceptance of various political actors in the democratic system as the only rule

in the game of politics. If democratization grows more consolidated, groups with diverse ideologies that initially reject democracy will, little by little, accept democracy as the "rule in the game" of politics.

Does this happen in Indonesia? This section attempts to answer the question by viewing the phenomenon of ideological depolarization in Indonesia.

- Ideological Depolarization Symptoms

  The findings of various research institutions confirm trends found in post-Reform election results. Votes to parties formally supporting Islam experienced a declining trend. They view this as a phenomenon where the influence of Islam in politics declines. However, when studied deeper, parties at opposite poles of Islamic parties (Anies Baswedan uses the term "Secular-exclusive"[22]) are now more open to religious symbols. Many PDI-P candidates currently wear the *hijab*. Thus, declining votes to Islamic parties is not a single phenomenon. It can be understood as part of a larger phenomenon: ideological depolarization. Parties shift to the center, which is reflected in the typical Indonesian term 'religious-nationalist.'

  Compared to the phenomenon in some other countries, ideological depolarization in Indonesia can be viewed in a positive light. In Egypt, for example, ideological polarization after Mubarak's fall in 2011 seemed very real. Polarization between religious and secular groups incapacitated political leadership of Egypt in running the government. Polarization remains to be seen in Turkey as the remains of secularization movement conducted

by Mustafa Kamal Attaturk at the beginning of 20th Century.

> If democratization grows more consolidated, groups with diverse ideologies that initially reject democracy will, little by little, accept democracy as the "rule in the game" of politics.

In Indonesia, there are competition and conflict between Islamism and secularism; however, the history of Indonesian revolution shows the depolarization seed has been around since before independence. In the struggle for Indonesian independence, Islam, liberalism, socialism and nationalism mixed. They exchanged and influenced each other in mobilizing resistance to colonialism.[23] During Japanese occupation, Japanese authorities viewed Islamic groups as an important force in society and tried to control them by establishing the Council of Indonesian Muslims Associations (Masyumi).[24] As the Republic of Indonesia was established, paramilitary religious school students, such as Hezbollah and Sabilillah were signed in to the army of the Republic.

Ideological polarization seemed strong in the early days of independence. At the time, a strong debate on the basis of the state and the position of Islam in the newly established country occurred.[25] This polarization has resulted in a deadlock in the Constituent Assembly and opened an opportunity for Sukarno to issue the Presidential Decree of July 5, 1959.

In the reign of Soeharto, the country performed de-ideologization systematically as part of an attempt to consolidate power and

maintain political stability. One of the strategies was to press Political Islamic groups, thus in 1980, Islamic political activists rethought orientation and engagement strategy of Islam in politics. This, according to Bachtiar Effendy, then spawned the "New Islamic intellectualism" which tried to mediate between Islam and the state.[26] Unlike the *Ikhwanul Muslimin* (lit. Muslim Brotherhood) in Egypt which continues to struggle underground, Islamic groups in Indonesia began to enter bureaucracy and even penetrated Golkar as ruling party. This trend gained a momentum with political developments in the late 1980s which forced Soeharto to approach Islamic groups.

Along with the increase of religious community since the 1980s, the involvement of Islamic groups in bureaucracy and ruling party has been paving the way for depolarization. Islamic groups realize that Islamic parties are not the only way to stand up for the interests of Muslims (hence distributing it to various types of parties), while secular groups find out that becoming religious does not necessarily mean betraying national commitment.

- Gift or Curse?

  What is the impact of ideological depolarization tendency towards Indonesia's political system? In this case, Islamist-Secularism is not the only ideological spectrum map. However, other spectrum maps (democratic-liberal, for example) have similar depolarization. Albeit being grateful for not experiencing the curse of extreme polarization such as in Egypt, we cannot necessarily be satisfied.

Ideological depolarization or de-ideologization is the estuary of two philosophical traditions: pragmatism and rationalism. The more rational a person, the easier he/she releases from ideological postulates in viewing a problem, therefore he/she may easily discuss and compromise with groups with different views. Similarly, the more pragmatic a person, the easier he/she transcends ideological boundaries, as long as such a move is profitable. If this depolarization is largely influenced by rationalism, we may rejoice as debates on public policy can be more vivid and measurable, no longer overshadowed by gap of ideological identity. However, if ideological depolarization is driven largely by pragmatism, the opposite will occur. Debates about public policy will rarely occur; if any, without proper quality as benefits and advantages of each actor are used as the measurement.

Which philosophical traditions will distinguish ideological depolarization in Indonesia? Presumably, pragmatism is more dominant. This can be seen, for example, from the legislation process which is often undirected in the House of Representatives. Stephen Sherlock of the Center for Democratic Institutions, for instance, concludes in his study on the procedures of the House of Representatives where many of the decision-making process in the House are conducted in non-systematic ways. There are no clear policy designs from parties regarding important issues.

Another impact of the de-ideologization driven by pragmatism is the weakening bond between political parties and public because all parties are considered "the same". This has serious implications on the quality of political recruitment in the national political

system. Because the ideology and platforms are no longer attractive, the parties are busy recruiting leaders as vote-getters without taking much account of their capacity.

Observing the trend of ideological depolarization, along with the tendency of the absence of party wining dominant votes, the awakening of a 'rainbow coalition' becomes inevitable. As experienced so far, governments in the political environment of 'rainbow coalition' tends to be ineffective. Policies are mostly determined by negotiation than by agreement about the interests of a particular policy platform.

Once again, ideological depolarization and the lack of party institutionalization -- as seen from the lack of public engagement with political parties-- paint the political life post-2014 election. In such circumstances, personal factors from national leaders and political elites will be very important in determining the effectiveness.

- Impact on Democratization

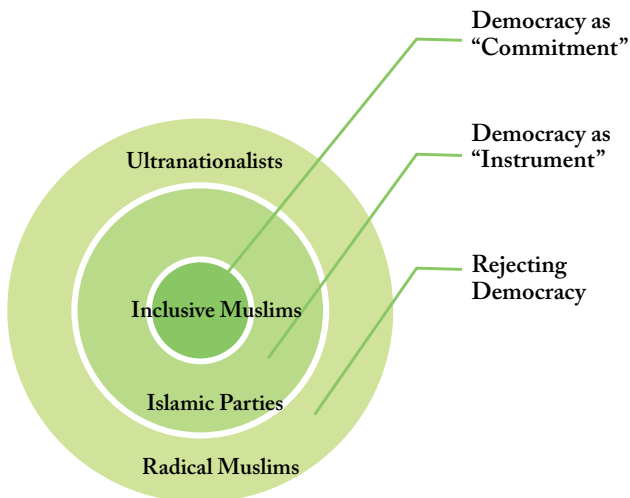
In the long-term perspective, what is the relation ship between the phenomena of ideological depolarization and democratization? Simply put, we can see the relation by understanding depolarization as ideology moderation process, either due to rationalization and pragmatization. As the political actors experience ideological moderation, there is a perspective shift on various aspects of politics, including in their attitudes towards democracy. Thus, "ideological depolarization" in general

brings positive trend for the consolidation of democracy as political actors experience moderation in their attitude towards democracy. It means that the groups rejecting democracy, with the occurrence of ideological depolarization, may change their perspective and attitudes towards democracy.

Ideological Depolarization is assumed to increase the actors who accept democracy as the only rule in the game of politics as it turns those who ideologically reject democracy to be moderate. Due to their rather moderate views, they may have a new view of democracy. If drawn into the circles describing the acceptance level of democracy, ideological depolarization can encourage the spread of the circle of actors who accept "democracy as a tool" and "democracy as a commitment." Actors who "reject democracy" can be included into the circle of those who accept democracy as an instrumental commitment.

Currently, depolarization makes Islamist parties closer to circle of actors who accept democracy as a commitment, or at least accept democracy as an acceptable instrument to fight for their ideology. Nevertheless, we also see, there are groups in the outer circle, i.e. those who reject democracy. This outer circle consisted of radical Islamists who reject democracy which is considered as a system not originating from Islam. In addition, there are also groups in this paper referred to as "ultranationalists", i.e. those who view that democracy has weakened the position of the state. To materialize the consolidation of democracy, both group typologies should be included into the circle of actors who accept democracy, at least as instrumental commitment.

Chart 2. Circle of Actors' Attitudes toward Democracy



In this context, depolarization also raises a challenge to encourage groups which reject democracy to revise their attitude and perspective. Depolarization which is characterized by pragmatism and marred by cases of corruption committed by parties of diverse ideological spectrum may erode confidence in democracy. If the depolarization is not equipped by good governance and plagued by corruption, the circle of actors accepting democracy will become smaller. Naturally, this means that consolidation of democracy will be hampered and Indonesia will experience 'democratic reversal'.

Overview and Recommendation

As a nation, we deserve to be grateful that Indonesia has been climbing the political reform process since 1998 with relatively more

success compared to other countries. However, our elaboration on Indonesian politics today and development scenario of democratic consolidation in Indonesia shows that after reaching a certain point (in between "formal democracy" and "full democracy"), we do not make any progress. This is due to the severity of rooted problems such as corruption and weak law enforcement.

From a positive standpoint, the "going nowhere" scenario can be interpreted that Indonesia has low probability to become an authoritarian state. However, it is not impossible. This study found a "critical point" that could lead to democracy setbacks, such as severe economic crisis and the failure of the war against terrorism.

On the other hand, the study also found several "critical points" that could be utilized to save Indonesia from democratic consolidation stagnation, which has occurred and predicted to happen in the future. Based on the identification on trends and critical points, this study formulates some recommendations to be conducted by the government and other stakeholders to encourage the consolidation of democracy in Indonesia. In general, the recommendations are intended to achieve three things: a functioning political governance, a functioning economy, and the rule of law.

Among the recommendations is to constantly improve bureaucratic reformation in various governmental sectors based on good governance principle. Similarly, improving reformation efforts in various law enforcement agencies is suggested. Furthermore, sustainability of decentralization programs should be maintained to ensure it is well-functioning for the distribution of welfare and strengthening society's political awareness. All national components

need to support the efforts fight to win the "war against corruption". The 2014-2019 National Leaders need to be conditioned to maintain strong commitment to eradicate corruption and uphold the law.

Governance of political parties, such as more transparent regulation of party funding, should also be the concern of all parties. It can be supported by strengthening the community in the policy-making process and supervision of policy, and the arrangement of public officials' recruitment process to prevent corruption, sale and purchase of position, and other abuses of power. One of the ways that can be used, for example, is by periodically conducting inverted authentication on public official candidate's personal wealth.

Reformulation of various Laws governing politics is also necessary to embody a more effective government and healthy political parties. Later, socialization of Pancasila and democratic culture through various methods which are suitable to the development of society and utilization of information technology is also crucial. Groups opposing Pancasila and democracy need to be identified and handled well without violence. The use of proper socialization measures will bring them to enter and be included into the democratic political system.*

Chapter III
Social

Binding our Indonesian-ness

"Let us build our nation and leave behind recurrent conflicts in history. It is our historical duty that should never be forgotten. The essential question is, can we, as a nation, develop the attitudes, emphasize common interest…and set aside personal interests of our nation's leaders."

~ KH Abdurrahman Wahid-The 4th President of the Republic of Indonesia ~

photo © Sergey Uryadnikov

Social

BINDING OUR INDONESIAN-NESS

At least twice a week in early 2014, million sets of eyes eagerly await these youths in front of the television. Together as the PSSI U-19 football squad, the youths who are Batak, Timor, Ternate, and Mamuju, natives commanded by Surabayan Evan Dimas, were new Indonesian icons. The team, under the management of Indra Syafri, toured several Indonesian cities—taking part in trial matches prior to their participation in the Asian Cup. Aside from watching matches aired on television, tens of thousands of spectators cheered upon their arrival and packed every stadium they visit. Differences are no longer debated. They are all the 'sons of Indonesia' whose actions on the football field are highly anticipated.

Being Indonesian by putting aside racial and ethnic differences becomes an Indonesian mainstream phenomenon nowadays. A phenomenon Prof. Azyumardi Azra of the State Islamic University Jakarta relentlessly brought up in every discussion forum he attends. "The process of being Indonesian keeps on going and cannot be halted," he asserted. The process that puts aside all differences has since long ago been practiced by the community, such as in Balinese traditional villages by putting together *Pedanda* and native Balinese Islamic figures to be involved in each religious celebration. This also happens in a number of indigenous villages in Maluku where Christians help build mosques and Muslims lend their hands to construct churches. In most Papuan tribes, Muslim and Christian families work hand in hand during communal events.

It is a shame that such a beautiful portrait of socio-community lives is often marred by humanitarian tragedies in countless places, which later is broadcasted to the rest of Indonesia. The early reform era tainted by chaos and pillaging in Jakarta was soon followed by gruesome conflicts inflicting a lot of casualties in Ambon, North Halmahera, Poso, Sambas, and Sampit. Threats come from armed parties, e.g. the Free Papua Movement (OPM), which under the pretext of independence, are struggling for their separation from Indonesia. Terror attacks in many regions as affiliates of terrorism networks at neighboring countries such as Malaysia and the Philippines add to local and trans-national problems.

Mass violence – Bali Nuraga incident in Lampung, Sampang riot in Madura, inter-village wars in East and West Nusa Tenggara and other regions in Sulawesi, Maluku, and Papua – should no longer

exist in the 21st Century, so should abuses to general customs and rules arbitrarily occur in public in the forms of traffic violations, demonstrations of workers demanding increases in wage by blocking the highways, celebrity disputes aired by infotainments, pornographic acts and sex tapes by middle school students, and student brawls triggered by trifle matters. Such reality invites a mind-boggling question. Has the society been surfeited by the intricate social lives? Or doesn't Indonesia, as a nation, have the maturity and strength to face complex global changes, to avoid being stuck in the expanding social intricacy?

The world has been changing. Amidst such change, Indonesia is demanded to strengthen its position globally while its people are struggling with internal polemics and conflicts. Indonesia, as a nation and country, is expected to be robust despite the unpreparedness of its people both culturally and socially. There is also a tendency in the decline of diversity values within the social lives of the nation. In such situation, will it be possible to bind the Indonesian-ness by diminishing geohistorical connectivity, such as nation's pride or collective memory to build a great nation?

For period of 2014-2019, the maturity of the people in social and cultural aspects is highly indispensable. This chapter turns into milestone for the Republic of Indonesia, not only because Indonesia will soon celebrate its 75th anniversary and change its national leader, but also start an initial phase of 'Demographic Bonus'. In 2014 the total population of Indonesia has reached 249 million lives with 169 million of people in their productive age. The figure is predicted to grow into 270 million in 2019.

At this point, the number of Indonesian people within the productive age will be 70% of the total population. This will allow low dependency ratio where productive age group supports smaller number of people within the non-productive age group. In 2014, every 100 people of productive group support 45 people from non-productive group; therefore the society will have better opportunity to work. This can be optimized by nationally and globally-competitive human resources quality in addition to vast employment opportunities.

The Demographic Bonus will be useless to the welfare of society or the greatness of a nation when human resources are low in quality such as in 2013 where Indonesia ranked at 121 of the Human Development Index (HDI) with low domestic job opportunities while Indonesians working abroad are majorly employed as domestic workers. When both main aspects – high human resources quality and job opportunities – are met, Demographic Bonus is predicted to be able to create Economic Bonus for middle-upper group due to economic development, with lower group naturally involved in the process. Consequently, Demographic Bonus may be a great opportunity for Indonesia – as stated by the President of the Republic of Indonesia Susilo Bambang Yudhoyono (SBY) in ASEAN-EU Business Summit 2011 – while at the same time may be a disaster when improperly managed.

The period 2014-2019 becomes a starting point for the improvement of the nation's welfare. Economic improvements supported by favorable dynamics of national and international politics, for instance, will strongly affect socio-economic improvements, particularly in education, health, development of science, technology,

and arts, national ties, and vice versa. The possibility towards such tendency is wide open, depending on the public's capacity and its strategic circumference. Such opportunity will be futile if issues such as low human resources quality, limited science and technology improvements, weak law enforcement, fragile social solidarity, and risks of discriminative conflicts are not properly addressed.

Many bystanders believe Indonesia will not turn into a 'failed country' as predicted by a handful of parties. Still, failure to manage Demographic Bonus will complicate the way out of the middle-income country circle. Demographic Bonus means "productive age is burdened less by non-productive age, hence having more potential to improve welfare". Such opportunity, if lost, will require long time to recover. Internally, citizens will possibly lose trust in their country, triggering prevailing socio-cultural and political conflicts.

Failure to take advantage of the Demographic Bonus and optimize natural resources for the welfare of universal society also decrease Indonesia's image globally; a failure which shows the Country's low level of self management. Low level of trust from global society will affect the esteem of Indonesian people. For that reason, fundamentally, social development in the period 2014-2019 is necessary particularly related to Demographic Bonus as a golden opportunity.

Threat Dynamics

Socio-cultural aspects that may threaten Indonesia's future need to be addressed. There are at least five crucial issues for Indonesia presently

which will continue to the foreseeable future: limited access and quality of educational and health services; weak law enforcement; weak and false paradigm of science and technology development; declining national and social solidarity; and racial conflicts and reduction of citizenship rights to minorities.

"With reliable human resources, Indonesia may really have a chance to break the barrier and emerge as a developed country; without it, Indonesia will remain a mediocre country. The main key to improving human resource quality lies in the development of education and health."

1. Limited access and quality of educational and health services

Demographic Bonus, as previously stated, apart from being a great opportunity may also be a disaster for Indonesia. The surplus of population at productive age will be worth nothing for the Indonesian progress if not balanced with excellent productivity which meets global standards and demands as a whole. In fact, due to lack of productivity populations at productive age might burden the country as well as the non-productive group. Such concern is based on realistic grounds. In general, compared to other countries, the level of productivity of Indonesian employee is considered low with open and disguised unemployment hiding behind ineffective formal institutions.

With reliable human resources, Indonesia may have the chance to break the barrier and emerge as a developed country; without it, Indonesia will remain a developing country. The main key

to improve human resource quality lies in the development of education and health, which has been pursued by the Government. Nonetheless, the welfare of the people – measured by educational and health aspects – remains insufficient to drive the country to emerge equally as other countries. Generally, educational and health development has not been able to bring Indonesia into becoming a smart and healthy nation. A number of realities mark the achievements of our education and health development. High corruption practices and declining plurality and multiculturalism sentiments show development in education has not yet succeeded in building human resource integrity and moral in general.

Weak industrial structure indicates education has been insufficient in creating the nation's professionalism. Low education quality is also shown by frequent student brawls and demonstrations. Both examples indicate education cannot reach out to students, who choose to channel their energies toward destructive actions. When learning goes well, students will focus on developing themselves, increasing knowledge and skills, and preparing for things that matter for their future. In addition, student demonstrations may be initiated by concerns towards particular matters. This is a phenomenon indicating that the local authority empowerment by the Ministry of National Education has not yet run effectively.

The affordability of health services to disadvantaged communities in addition to increasing number of middle-upper communities seeking medical treatments abroad have become a real portrait in medical sector which is reflected in the Country's HDI. Based on data released by the UNDP on May 2013, Indonesia's HDI

was at 0.629 or ranked at 121 out of 186 countries globally in the previous year. This was an improvement from the previous index of 0.624 or climbed three levels from the previous rank of 124.

On one hand, such improvement marks managerial success of Indonesian development, among others, in education and health. On the other hand, the achievement is considered insufficient for Indonesia when linked to compositions of natural resources, total area, and populations. While the quality of educational and health facilities and services are rather low in areas nearby the capital such as Banten, Bogor, and Bekasi, access to educational and health services in border areas such as Sebatik, Singkawang, and East Nusa Tenggara are very low if nonexistent.

When the HDI is described partially, it will show that educational index was relatively low at 0.577. This demonstrates how the Indonesian educational development has not yet succeeded, albeit a number of real progresses whose results may only be enjoyed in the future. The HDI in health sector correlates to life expectancy or average age at the end of each person's life. Indonesia's life expectancy reached 69.8 years old with health index of 0.785. Compared to other countries reaching above 70 years old, Indonesia's life expectancy is relatively low, despite having significantly increased from initial development period in 1980 with 57.6 years old.

Aside from life expectancy, the United Nations uses maternal mortality rate to measure health development progress of each country for the Millennium Development Goals (MDGs). Indonesian maternal mortality rate in 2013 was at 220 lives in

100,000 cases; making it one of the highest in Southeast Asia. Internal bleeding during home birth becomes the most common cause of mother's death. Other indicators include: (a) infant mortality rate; (b) prevalence of sanitation-related diseases such as malaria, dengue, and tuberculosis; (c) death from cardiac arrest and strokes resulting from unhealthy lifestyle; (d) drug addiction and mental disorders.

These cases indicate that in terms of educational and health development, Indonesia remains at the middle-lower level, which is far from what should be expected from a large country with abundant natural resources and strategic placement in international arena. Educational and health development progress contributes to people's welfare as a whole, which is relatively low as reflected by Indonesian HDI rank among 10 of the lowest East Asian countries together with Papua New Guinea and Kiribati. If such condition persists, Indonesia will fail to take advantage of the upcoming Demographic Bonus.

Other educational and health development threats in period 2014-2019 include: (a) large population burden; (b) domination of modern paradigm which demands linear, mechanistic, and quantitatively-measureable educational and health development; (c) ineffectiveness of bureaucratic structure, system, and culture to improve people's welfare; (d) orientation to money politics by political practices and national political parties' system which triggers massive corruption hence becoming a bad role model to build a characterized, healthy, and smart society demanded by educational and health sector; (e) deficient local authority

empowerment; (f) globalization pressure creating consumptive and hedonistic culture, while at the same time improving people's aspiration through mass media; and (g) expanding primordial educational institution enclave that may erode inclusiveness and multiculturalism traditionally. Success in handling these threats will initiate real development in educational and health sector in Indonesia.

2. Weak law enforcement

On the last three months of 2013, at least four police officers were killed on the street. Three were shot in Jakarta's outskirts and another found dead on the street of the capital. These law enforcers seemed to face horrible death in front of law offenders. Later the Police found the shootings were related to 'terrorist' acts, while there were Police officers also killed in pure crime. Whichever the cause such events indicate the weakening of the Police force's dignity as law enforcers.

Meanwhile, a Police General was alleged for massive corruption with a revealed wealth worth hundreds of billions Rupiah. Tried by the Anti-Corruption Court, the defender insisted part of his wealth came from the sale of his *keris* collection. An interesting phenomenon to observe: a person who was supposed to rationally regard material facts of the law has brought supernatural aspect as part of his defense in trial. The same Police General was also involved in a dispute indicating Police arrogance against the Corruption Eradication Commission (KPK) through the '*Cicak vs. Buaya*' (lit. Gecko vs. Crocodile) confrontation. A First Police

Adjunct Inspector was also suspected to perform illegal banking transactions worth more than Rp 1 trillion through fuel and forest products sale and purchase and shipping services.

In addition to police officials, prosecutors and judicial officers also face similar problem. The KPK has alleged prosecutors and judges in Bandung and Semarang of receiving gratification influencing court verdicts. This was a case extension of Cyrus Sinaga prosecutor and several judges in Semarang and Jakarta. Often, law enforcers compromise to reduce or even free offenders from their punishments. While cases in lower courts have yet come to resolutions, cases have also hit the Supreme Court and Constitutional Court; both are law-enforcing institutions supposed to be guarded by people with dignity and integrity. Yet, these officials easily put aside and violate their law-enforcement dignity. For example, the Chairman of the Constitutional Court was caught red-handed by the KPK with allegation of bribery and money-laundering. This became an issue raised by the international media also.

Law enforcement in Indonesia is apparently far from what is expected. Ironically, law enforcement became the first element of Reform Agenda during the Reform era. This agenda includes: (1) Law supremacy enforcement; (2) Eradication of corruption, collusion, and nepotism; (3) Trial against former President Soeharto and his cronies; (4) Amendment to 1945 Constitution; (5) Abolition of ABRI's dual-functionality; and (6) widest possible regional authority. These agendas are legal issues, hence there is no exaggeration in saying law improvements are the main agenda of the Reform.

Until these days, law supremacy enforcement does not run effectively. It is often sarcastically stated that "law enforcement is sharp downwards and blunt upwards". Common people with small cases receive more severe punishment than important people with larger cases. Many police officials, prosecutors, judges, and clerks are involved with judicial mafia. This cannot be separated from the role of lawyers mediating between law enforcement and offenders. Some legislative officials also take part in the weakening of law enforcement through alteration to the Anti-Tobacco Law Draft.

"Many of police officials, prosecutors, judges, and clerks are involved with judicial mafia. This cannot be separated from the role of lawyers mediating between law enforcement and offenders. Some legislators also take part in weakening law enforcement through some alterations to the Anti-Tobacco Law Draft."

Law enforcement is substantially inseparable from the sturdiness of three law building pillars as suggested by Lawrence M. Friedman (1984: 4), which include: law substance, structure, and culture. These three aspects need to be strongly developed. Nonetheless, there is a more basic issue regarding the integrity of law enforcers who are eager to 'be bought' or 'sell themselves' to law offenders.

Socio-cultural impacts in law supremacy are crucial matter needs to be considered. Our nation may easily suggest the idea

of law supremacy, while in reality 'socio-economic supremacy' becomes top priority. This is shown in the settlement of traffic accidents which prioritize 'peace offering' practices, in addition to more legal cases settled without upholding integrity enforcing law. Socio-cultural impacts complicating law enforcement among others are the values of tolerance and paternalistic traditions in our society (Muhammad 2013).

This issue will also threaten law enforcement in the period 2014-2019, in spite of more significant difference and progress in new legal issues such as cybercrime, money laundering, political offense, etc. Several threats to law enforcement predicted to occur, in relation to Demographic Bonus and Indonesian political contestations are:

First, threats related to legal substance. A number of issues need to be addressed, which cover: (a) the drafting of laws and regulations marred by power (e.g. regional autonomy/expansion, identity politics) and economic (e.g. Anti-Tobacco Law Draft) interests; (b) collision between new and old regulations complicating the implementation; (c) new issues not regulated or not maximally regulated by law, e.g. money laundering and cybercrime are not clearly regulated in the Penal Code.

Second, threats related to legal structure. This threat can be viewed from two sides: (a) whether the legal structure existing prior to the reform has defects, hence in need of improvements or supports from new "legal structure"; (b) whether the legal structure established following the reform is indeed necessary to

settle issues, and whether the existence of such legal structure is effective in settling issues.

The existence of new institutions resulted from amendments to the 1945 Constitution may create overlap to the roles and duties of legal institutions. For corruption eradication, for instance, KPK as a new institution has clear mandate in handling corruption cases, while old institutions such as the prosecutors also have the authority in handling such cases. The need for new institutions is apparent as not all of old legal institutions are completely reformed.

For instance, the Police remains vulnerable to become the 'center of corruption' considering its position as the initial place for law offenders to compromise. This is also indicated in the level of welfare and the lifestyle of police officials seemingly above people from other professions. Prosecutors and the court also has corruptive tendencies through its 'authority' to reduce or increase punishment. The Supreme Court is also highlighted as 'protector of the corrupt'.

Third, legal culture remains overshadowed by 'judicial mafia' due to non-transparency of law-enforcing institutions under public watch. Corruption is the utmost legal issue in Indonesia nowadays. The old law-enforcing institutions are generally reluctant to be under the watch of new institutions established to support the Reform.

Fourth, threats outside law-enforcing institutions' system and structure with many outsiders making advantages of the weak

law enforcement through extortions. *Fifth,* excessive mass media broadcast in legal case coverage that may affect neutrality and the "presumption of innocence" principle in law enforcement in Indonesia. *Sixth*, regional autonomy/expansion of areas previously established as special autonomic regions, such as Papua and Aceh, also impedes law enforcement. Such selective law settlement based on political interest becomes the indication or bad precedent for law enforcement in Indonesia for the period 2014-2019.

3. False paradigm of science and technology development

False paradigm of science and technology development is another issue in socio-cultural sector. The fallacy, among others, happens in the translation of green policy. Indonesia is well-known for its abundant wealth in natural resources, in addition to very rich non-biological resources such as mining products (petroleum, mineral), natural gas, geothermal, etc. Such wealth is supposed to be the most important capital in science and technology development. In the past, both resources were optimally utilized. Today, both need to be developed more in order to strengthen the Country's future position through the development of science and technology.

From time to time, science and technology development in Indonesia has been constantly linked to global progress. In early historical era, for instance, science and technology development was connected to development of Indian, Arab, and later Chinese civilizations. During colonialism, the development was halted

due to exploitation by the occupying authority. *Nusantara* became the object of exploitation by Europeans through their occupation. Colonialism was intended not only to occupy trade and source of commodities, but also to directly produce such commodities and export them worldwide, including bioresources, as the main route of European shipping (Schiebinger 2004).

Colonials were fundamentally encouraged by bioprospecting, the exploitation of their colonies of natural resources. Colonial bioprospecting at the same time became the driving force for Dutch science and technology development in its colonies. Colonial bioprospecting were commonly practiced by Europeans in their golden colonial era from 1500 to 1700 (Cook 2007; Parthesius 2010), also by the Japanese in the 19th and 20th centuries which continued until the colonies declare their independence (Schiebinger 2004). Until today, such practices still continue despite the more subtle manner.

Biopiracy as a more subtle form of bioprospecting is among others performed through research cooperation between foreign and governmental institutions, such as cooperation between the JICA (Japanese International Cooperation Agency) and the Indonesian Institute of Sciences (LIPI) and the Ministry of Agriculture. This happens because the Government does not specifically prioritize research on the abundant natural resources, hence forcing local researchers to cooperate with foreign parties to receive funding.

Biopiracy is practiced not only by countries, but also large companies in cooperation with indigenous peoples with their

bioresources and local knowledge. Multinational pharmaceutical and food companies are non-governmental groups that often conduct biopiracy. Therefore it may as well be said that biopiracy is a form of "modern colonialization". In parallel with bioprospecting and biopiracy are geoprospecting and geopiracy. Both are practiced by the domination of a country over another country or by a multinational company over resources from indigenous regions in developing country. It needs to be noted that colonial geoprospecting was not as extensive as colonial bioprospecting until late 19th century and throughout the 20th century (Hutchinson 1996; van Bemmelen 1970; Hutchinson & Taylor 1978).

Indonesian natural and non-biological wealth has tremendous potentials to increase people's welfare. The question is: will Indonesia be capable of managing both powers as the basic for science and technology development and bringing impacts towards welfare? On the other hand it needs to be considered that the utilization of both powers also triggers negative impact to national stability and weakens Indonesia's bargaining power. This is a side effect to the involvement of entities, in political and economical, national and international scene towards biopiracy and geopiracy-based science and technology development. Foreign parties surely do not expect Indonesia to be capable of managing our own local knowledge and wisdom.

There were indeed attempts to overcome these issues. The National Development Planning Agency has drafted a science and technology development blueprint in 2003, despite not bringing

fundamental progress to science and technology development. Yet Several issues contained covered: (a) the focus on biodiversity and its conservation strategies; (b) biodiversity utilization has not yet brought real economic intent (bioprospecting) to the improvement of welfare; (c) no futuristic briefing on which science and technology segments need to be expanded in relation to biodiversity utilization; (d) lack of clarity in defining real threats to biopiracy and geopiracy in globalization era (colonial bio-geopiracies sensu lato) which involve not only foreign countries but also international or domestic multinational companies with large economic power.

In other words, the blueprint has not touched the root cause of science and technology failure in Indonesia, i.e. lack of mastery of basic science supporting bio-geoprospecting. This lack of proficiency open the widest possible opportunities for the practices of biopiracy and geopiracy by other parties to undermine natural resources that are supposed to be researched and managed by our own actors. In partnership with other country or private sector, Indonesian scientists need to be more active in the policy-making, monitoring, and taking maximum benefit for the nation. Yet, for bioterrorism may arise at any time during this era of globalization.

Several governmental institutions, e.g. LIPI, Ministry of Research and Technology, the Agency for the Assessment and Application of Technology (BPPT), and the National Institute Aeronautics and Space (Lapan) as Indonesian research authorities, for

the past five years, were starting to gradually redirect natural resources-based science and technology development. This step was initiated by data re-collection and status update of the resources (Widjaja 2011). This is seen as an excellent start to re-establish bioprospecting as our nation's science and technology paradigm. The paradigm, however, does not apply the colonial bioprospecting pattern, but rather directed to realize the intentions of the Unitary Republic of Indonesia establishment, i.e. to promote general welfare. Once again, the initial step and its continuation, such as the development of supporting basic science, were not supported by sufficient funding.

4. Declining social solidarity

National identity is one of the most significant characteristics of Indonesia that needs to be built maintaining 'Indonesian-ness identity', by not basing it on the identity and tradition of a certain ethnicity. Javanese, as the ethnic group comprising the largest portion of population, does not assert and force its tradition and culture, particularly language, into national identity. This becomes a crucial capital in building the multi-ethnic awareness and ties of Indonesian nationality. Social solidarity on behalf of 'Indonesian-ness' is built above a reality and strong challenge of diversity and differences between ethnicities, languages, and customs.

This multicultural model of nationality constantly strives and succeeds in overcoming ethnic differences and merges into a Unitary Republic of Indonesia. The society becomes aware of

acknowledging diversity, and later processing it into "becoming Indonesia" which is one or *Bhinneka Tunggal Ika*. Other national pillars such as Pancasila and the 1945 Constitution acknowledging diversity are also maintained and preserved within a mutual understanding in building Indonesia, as stated in the Youth Pledge of the Second Youth Congress of 1928.

Such awareness was built on strong geo-historic foundation where this country and nation is tied both by geographic and historical ties. Within the awareness, seas separate, while at the same time, unify Indonesia. Therefore, large Indonesian islands are no longer regional units geographically, but rather a unitary country's regions. There are at least five geographic classifications of regions based on historical perspective from old family ties that emerged into the idea of a nation's path.

First, geo-historic regions at both sides of the Malaka Strait, covering the east coast of Sumatra and the west coast of Peninsula. *Second*, geo-historic regions at both sides of Sunda Strait covering Lampung at the southern part of Sumatra and Banten at the western part of Java. *Third*, geo-historic regions at both sides of Java Sea. *Fourth*, geo-historic regions at Makassar Strait. *Fifth*, geo-historic regions at Molluca Sea bordered with the Philippines near Mindanao and Sulu, covering the spice islands: Papua, Banda, Ambon, Seram, Buru, Ternate, Tidore, and Manado.

Along with growing nationalism, such extensive geo-historic regions attract threats to national ties. In the past, power struggle

for occupation between kingdoms often happened. Meanwhile during colonialism, provocation and discrimination for the occupation of area and production sources became major threats. Post-declaration of independence, various internal and external threats from ex-colonials continued to exist. Internally, disputes triggered by differences in ideology between parties, schools, and ethnic-based organizations occurred without considering social and national solidarity. Many political parties insisted on prioritizing their short-term practical interests and seldom bring forward long-term national interests.

Disputes between these schools of thoughts resulted in various tragedies, such as Madiun incident in 1948, Revolutionary Government of the Republic of Indonesia (PRRI) Rebellion in West Sumatra, Permesta Rebellion in North Sulawesi, and 30th September Movement. Threats to social and national solidarity post-independence declaration throughout the Old Order were focused on differences in political interests, particularly in sharing development allocation.

Political trauma during the early years of independence throughout the Old Order forced the New Order to act repressively. Often, the country acted severely to offenders or political schools of thoughts trying to criticize or question the basis of country and nation. Discussions and questions about ethnicity, religion, and race were banned and became a taboo to maintain political stability, order, and security. The country created a singular interpretation of *Pancasila* and nationality. The reality of a plural and multicultural nation was reduced to be differences unified within one Indonesia.

As though never learning from history, during the Reform society was trapped in euphoria which once again threatens the sense of nationality. Self and group identities in sectarians were brought forward. Governmental policies strongly orient to market economy and decentralization, particularly those related to investment in mining and plantation, brought social conflicts in society in the forms of agrarian disputes between business groups, local government, and indigenous peoples. A new model of colonialism, as stated previously in the science and technology development segment arise as non-armed threats against national solidarity. The condition was worsened by regional autonomy issues where the majority of regions were not ready to run their own government.

Therefore, in period 2014-2019, apart from "classic" threats mentioned earlier, Indonesia's largest threats lie in the issue of national solidarity, covering at least four issues. *First,* the strengthening of sectarians interests within identity politics package on behalf of group, ethnicity, and religion. Differences between natives and foreigners, self and others are strengthened through the accommodation of identity-based politics brought in regional autonomy policies and practices. Signs are starting to show for the past five years in Banten (Serang, Lebak, and Pandeglang), West Java, South Sulawesi, Central Kalimantan, South Sumatra, East Nusa Tenggara, etc.

Second, exploitation of poverty and social gap issues in political practices, particularly if Indonesia fails to grab Demographic Bonus opportunity in 2014-2019. This tough challenge

"Within two decades of post-Reform, the society has not fully matured in defining and practicing democracy as Reformists aspired to achieve. This is evident from the quality of public approval to religious and ethnic minorities."

theoretically covers critical attitude from the public that nationality, in addition to Youth Pledge and Pancasila, encounter stagnated interpretation. National understanding becomes a mere ritual in the forms of ceremony and commemoration, even considered as utopian dream which is too ideal and hard to achieve. National and social solidarity lost its meaning and function if not philosophically interpreted and developed according to the development of time, particularly when people cannot afford to achieve welfare as mandated in the nation's mutual goals. It is not impossible that people will find it futile to live as a nation while remaining on the poverty line and witnessing a very wide social gap between established and poor communities.

Third, the expansion of popular culture such as social media and other popular culture practices in public space to appreciate personal freedom, particularly those exhibiting their rejections against the established national life. The Existence of social media sites denying or degrading the nation's integrity and the emergence of punk and indie subculture in addition to outlaw motorcycle gangs are not issues to be trifled with. Failure to pay attention to such issues will create different interpretation to togetherness and social and national solidarity which put forward respect between one and another.

Fourth, rapid flow of information including press and media freedom introducing concepts contrary to the nation's ideology. Currently the Government practices the full market economy for the media, --probably due to demands from Western democracy--; highly sensitive issues on politics and religions are even handed over to the public. Such reality provides space for mass media and religious fanatics to step forward and turn into important policy-affecting actors. In the end, it is no longer a surprise that morality, differences in religious sects, and religious tolerance triggering disputes are shown publically, creating social conflicts and weakening public morality.

5. Racial conflicts and reduction of citizenship rights to minorities

As previously mentioned in other sections, development and strategic environment of the inter-religion and inter-ethnicity relationship in Indonesia also encounter serious issues. The phenomena arising lately among others are the reduction of citizenship rights to religious and ethnic minorities, in addition to communal racial conflicts. Within two decades of post-Reform, the society has not fully matured in defining and practicing democracy as Reformists aspired to achieve. This is clearly shown in the quality of public approval to religious and ethnic minorities.

Post-Reform, there were at least three recorded large communal racial conflicts, i.e. inter-religion conflict (Christians-Muslims) in Ambon, Maluku in 2000, inter-religion conflict (Christians-

Muslims) in Poso in 2002, and inter-ethnicity conflict between Dayak and Madurese people in Kalimantan (Sampit, Sambas, Ketapang) in 2004 which led to thousands of casualties. Two of three conflicts were triggered by failure in inter-religion relationship. The Dayak-Madurese conflict, the seemingly ethnicity-based conflict, may also be viewed as inter-religion conflict since the majority of Dayaks are Christians, while most of Madurese are Muslims, despite no problems between the Dayak and other Muslim communities.

More racial conflicts have occurred during these past five years, including (a) Sunni-Shia conflict in Sampang, Madura throughout 2011-2012 followed by Jember incident in September 2013; (b) attacks on Ahmadiyya community in Cikeusik, Banten in 2012; (c) Ahmadiyya incident in Bogor in 2011; (d) Balinuraga-Lampung conflict in October 2012; and (e) other inter-village and indigenous group wars in various regions with various patterns and causes. Lurking hatred and stigma against other groups are also strongly held by a few communities in Indonesia, which may turn into a latent sign of the outbreak of racial conflicts in the future.

When a minority group is positioned at the lowest point, in most cases, their citizenship rights will automatically be suppressed and reduced. Access to public service and their freedom to perform religious practices are limited in places where the suppression applies. Tangible evidences are seen in Shia community in Sampang Madura, Ahmadiyya community in Cikeusik and Kuningan, Yasmin Christian Church in Bogor, etc. not to

mention treatments to adherents to Mystical Beliefs in various regions. Citizenship rights guaranteed to these communities were reduced based on the concept of 'others' against one's 'self', judging that "they are different from us".

The citizenship and nationality concepts were indeed not built based on the understanding that "they are different from us", but rather on their membership ties as "citizens" within one Unitary Republic of Indonesia. If the concept of 'others' remains attached to every individuals, this unitary state will cease to exist. This means, the state will lose or be subdued by parties suppressing and reducing or limiting citizenship rights which was supposed to be guaranteed and provided by the State.

The concept of 'others' started to strengthen post-Reform, where identity politics of regional ethnic groups strengthened and found its channel on behalf of freedom and human rights, along with global strategic issues in politics and socio-economy. Unfortunately, apart from being used as authoritarian expression of the "natives" to occupy political position and government officials, identity politics is also misunderstood as denial of inter-ethnicity, language, religion, socio-economic strata relations. Enclave community regions resulted from traditional family ties, common religion, and results of colonial programs during Dutch occupancy and transmigration by RI government are later seen as factors differentiating between one occupant and another. Such condition strengthens the factors triggering communal conflicts on behalf of ethnicity, religion, and race in Indonesia.

Several "religious" conflicts, for instance, are not always considered as communal conflict on behalf of ethnicity or religion, but also triggered by other aspects, including identity politics. Unsettled historical issues in the past, such as tight competition between Christian and Islamic missionaries in addition to ethnic competitions between indigenous peoples in Ternate or Bugis, Bone, and Makassar tribes who are mostly Islam adherents and Ambon, Papua, and other non-Austronesia tribes as Christian majority.

Threat Map

Based on the chronology and observation to ethnicity, religious, race, and group conflicts phenomena in Indonesia, there are at least seven threats to be encountered by Indonesia in the period 2014-2019:

- The strengthening of ethnic identity and majority religion politics, or false implementation of identity politics by minorities due to accessibility or guarantee from international (human rights). The concept between self (*al-ana*) and others (*al-akhar*) assertively practiced in communal lives which later break into communal racial conflicts, particularly when identity politics are exploited by the motive of power as seen in Regional elections. It is inevitable that the intensity of communal conflict threats on behalf of religion and ethnicity in Indonesia will heighten and expand. Some of the regions vulnerable to such threats include North Sumatra, Lampung, West Java, East Java, Kalimantan, Central Sulawesi, Kalimantan, and East Nusa Tenggara.

- Economic gap between local communities and outsiders, both due to transmigration or natural migration from various communities. Regions vulnerable to such issue include Lampung, North Sumatra, Kalimantan, and Papua. In this concept, transmigration is associated with colonialism, which was fully supported by the government earlier. So, what is wrong here? There are certain aspects in need of close attention: (a) land ownership aspect of transmigration; (b) formation of regional space for community settlement. Expropriation of communal rights both by ethnic groups domiciled in the region since the beginning—that can be understood and for the opening of new plantations prepared for the arrival of transmigrants. Such cases are apparent in land ownership issue by the Kubu people in Jambi, Dayak community in Kalimantan in transmigration program of one million mangrove lands (Walhi 2002; AMAN 2001; and YMP 2007), Tau Taa Vana indigenous community in the inland of Tojo Una-una District, Central Sulawesi (Humaedi 2012). If remains unadressed, the se agrarian-based racial conflicts will continue to occur.

- Special Autonomy policy given to Papua and Aceh. In one hand, this is considered as resolution offered by the government to appease recurring tensions. On the other hand, Special Autonomy opens the opportunity a for and strengthens racial primordial ties in regions with high-intensity conflicts tendencies. As a result, racial conflict threats are more apparent, particularly aimed to members of society not considered as the main targets of the Special Autonomy policy. For instance, Special Autonomy given to Papua Province is understood as the fruit of Papuan indigenous

peoples' success in maintaining the "independence of Papua land" with other model, by staying under the governance of the Unitary Republic of Indonesia, while their hearts and feelings are busy with finding self identity. Such struggle is identical to Papuan ethnicity, making other ethnicities to be denied their rights to utilize the Special Autonomy funding. In the end, control towards the Special Autonomy policy programs is fully held by Papuan ethnicity.

- Enclaves of various communities, as a result of colonialism (Yeoh 2011), transmigration, or natural establishment with the natives' traditional region based on ethnicity and religion. Enclaves in transmigration program, for instance, will threaten the relationship between various communities in the future. Conflicts may arise not only between transmigrants, but also with the previous indigenous occupants. In many cases, transmigration settlements were established based on the origins of each transmigrant groups. Balinese transmigrants were grouped and placed in particular settlement; similar treatment was also given to transmigrants from Lombok, East Nusa Tenggara, Javanese, and Sundanese who were given the settlement based on their respective origins. In the development, such pattern has created primordial solidarity which threatens inter-ethnicity relations.

- Failed interaction or acculturation process between two or more cultural characteristics of each ethnicity and religious adherent within one communal life (Humaedi 2013). The failure in the interaction is caused by primordial feeling or rigid assessment of socio-economic partitions of each community. The lowest social

elements feel insecure being "left alone", while the middle-upper elements are busy thinking about themselves. If related to ethno-cultural context, ethnocentrism becomes the reason as to why a group separates itself and abandons other community groups. If related to religious context, abandonment without communication will create presumption that may trigger conflicts.

- Intervention by other parties on behalf of power and religious beliefs. Such intervention is based on primordiality and fanaticism of political and religious understanding, both locally and trans-nationally. A practice seen is the establishment of terrorism cells or network and other radical groups based on their trans-national network. Terrorism overshadows inter-religious relations and affects the socio-politic al stability and state's security built on such intervention. A consortium as the source of the funding behind the piracy of ships in Somalia also actively involved in the funding of terrorism network globally. Several other consortiums have also actively given full support to domestic religious groups which trigger conflicts and violations against the minority groups of Shia and Ahmadiyya for these past few years.

- The roots of the conflict are essential in nature and attached to community groups in certain regions. Such essentialism approach was deliberately proposed following the observation of conflict tendencies in Indonesia for the previous periods. Closely observed, the Indonesian National Board for Disaster Management (BNPB) 2011 disaster-prone map revealed that disaster-prone regions are more likely also vulnerable to conflicts. The "Ring of Fire in Topographic lines of Sulawesi" map, for

example, is also vulnerable to social conflicts as occurred in Poso, Tentena, Morowali, and Sigi Birimaru. The similar also applies to "Barisan mountain range and Sumatran fault", which was indicated as regions with large social threats as strong as its natural disaster threats, such as in Warsidi incident in 1980s and Aceh conflict (Humaedi 2013). In Java Island, Menoreh Hills region which is prone to landslide, drought, and fire also becomes the most important site for inter-village conflict as illustrated in the story "*Api di Bukit Menoreh*" (lit. Fire on Menoreh Hills) depicting never-ending battles between rulers of Pajang and Mataram kingdoms; or riots in upper Pekalongan (Humaedi 2008) and Kiai Ahmad Rifai in Kendal (Jamil 2002). In culture materialism perspective as stated by Marvin Harris (1976), there is apparently a linear perspective that ecological vulnerability of a region has strong effect on the region's vulnerability in psychological, anthropological, and sociological aspects. In other words, environmental aspects have created certain conditions and community characters which are potential for triggering conflicts. It should be admitted that such a way of thinking may not be accepted by many as it is oftentimes considered as artificial, as there were no comparison between disaster-prone map and conflict threat map in all regions of Indonesia. However, this at least may be used as the signs of vigilance that threats of essentialism-based ethnicity, racial conflicts always overshadow anywhere and anytime.

Impacts on the Future

The Preamble of the 1945 Constitution has asserted that Indonesia in the future shall be independent, sovereign, just, and prosperous. socially, this means dynamic and prosperous community life with freedoms of self-actualization without creating loss to others bound by the awareness and mutual love as a nation. At the individual level in the community the independent, sovereign, just, and prosperous Indonesia is reflected in the attitude of all people with the characteristics of well-mannered and peace-loving, strong characters and ethics, innovative and advanced, ethical and law-abiding, loving the nation and respecting local wisdom, and respecting others regardless of ethnicity, religion, and class.

The noble picture of social life as the ideals of independence of all Indonesian people has to face real threat in various sectors. Low quality of education and health services reflected in Indonesia HDI and rank as well as other measurement; disoriented science and technology development creating no added values; law enforcement loaded with money politics; broken social solidarity; even radicalism and violence victimizing vulnerable and minority groups will all significantly inhibit Indonesia in developing into a large nation, not only in political, but also in economic and cultural aspects.

Social threat dynamics from various aspects and their possible impacts for the future are illustrated as follows:

Table 1. Social Threat Dynamics and Their Impacts

FIELD	THREATS	IMPACTS
Education and Health	Not centered on quality aspect	A nation of weak reasoning, health, and character
Science and Technology	Without clear development strategy, theft of national wealth	No innovation locomotive to drive national progress
Law	Money interest-laden enforcement	A nation of poor ethics and law certainty
Social Solidarity	Fractured Solidarity	Failure to build strong social synergy
Diversity	Violence against vulnerable groups and minorities	The weakening of nation and country's dignity

1. Education and health

The quality of educational and health development so far has been considered low as reflected in Indonesian HDI which ranked at 121 or in middle-lower position globally. In educational sector, this among others is reflected in the level of education where on average, Indonesians receive six years of mandatory/ requisite education or elementary school graduates. In addition to low average length of education is the low quality of education which is illustrated in the Program for International Student Assessment (PISA) result from the Organization for Economic Co-operation and Development (OECD) in 2013 which ranked Indonesian students at 64 out of 66 countries assessed.

This bitter reality fails to reach the society in general since its existence is overshadowed by the success of Indonesian students obtaining medals, gold included, in the International Science

Olympiads. The PISA covers mathematics, science, and reading skills which resulted that on average, Indonesian students have a lower order thinking system or weakness in logical, analytical, and synthetic reasoning. Weakness in reasoning is not only suffered by primary and secondary school students, but also school graduates in general who later fill crucial positions in government or public posts. This explains the age-old question as to, why today's public officials have lower quality compared to those during the beginning of independence.

As the second largest fund absorber following education, weaknesses in health development still exist. Indonesia still struggles with basic health issues from infant and maternal mortality rate to 'poor people disease' such as tuberculosis, which generally are one of the highest in Southeast Asia. Health development in Indonesia is at a lower level compared to Thailand and Malaysia. Major breakthrough in the form of health insurance through BPJS in 2013 is an initial step to providing health treatments at the basic level which was supposed to be run since 25 years ago, and has not been an ideal development of health quality.

Issues concerning school building infrastructure, pro and contra regarding the National Exam, teacher's certification and quality, textbook quality, pornographic acts among students, student brawls, to campus politics are still among the primary concerns in the educational sector. Meanwhile, the health sector is more focused on pursuing fundamental matters as established in the Millennium Development Goals (MDGs) and handing over

medical service programs for middle-upper society to market mechanisms which later developed into huge commercialization of health treatments at hospitals.

Educational authorities have been trying to make breakthrough by issuing the 2013 Curriculum which include character building as part of the teaching. However this character building effort remains constrained by two issues, i.e. teacher preparedness and quality as the most important aspect in education sector, and the focus on quantitative or tangible aspects of 'system paradigm' instead of the qualitative or intangible aspects of 'educational paradigm'. Character building is better connected to 'education paradigm' than to 'system paradigm'. This is a similar issue with health sector where tangible 'medical paradigm' is given more focus than the intangible 'health paradigm'.

Such paradigm will seem to continue dominating education and health development in period 2014-2019, as it has been familiar and customary for the government all these times. The Central Authority's habits of developing and controlling its own program instead of empowering Regional Authority—which is supposed to spearhead the educational and health development, will continue since central bureaucrats do not wish to 'lose their program'. Hence, for the upcoming five years, people's quality will experience improvements resulting from health and educational development, albeit not significantly. In the next five years, people may not be sufficient in reasoning, health, and other characteristics crucial for Indonesia's development such as economic, technology, and cultural aspects.

2. Science and technology

Developed countries are nations with innovation locomotive which pulls their nation's progress carriage in the forms of technology developments. Such countries are Japan and South Korea with the automotive and electronic industries, the United States with military and information technology industries, and Taiwan with computer industry. Focused development of science and technology encouraged these countries to control all derivatives, bringing large economical advantages while alleviating nation's dignity at the same time. The largest potential for science and technology development in Indonesia lies in bio and geo aspects in addition to culture which unfortunately lack improvements to be used as development's top priority.

So far, bio and geo science and technology resources are the most vulnerable research materials. In several cases, theft of materials often takes place be it directly or indirectly. Direct theft, for instance, is when materials are directly stolen from research location by foreign researchers disguised as tourists or non-governmental organization activists. Often, these tourists take samples of stones, plants, and marine life to be brought into their home countries, which later will be developed as research materials beneficial for their country's science and technology.

Other modus operandi of the theft is by disguising as art curator while involving Indonesian citizens, for instance in heirlooms theft in the National Museum of Indonesia in early September 2013. The theft, while cannot be defined as a syndicate in

need of money from the archeological materials' value, can be considered as liaison between pure economic interest and science and technology developers in need of research materials. Such incident, in fact, occurs often with disappearance of national archives, particularly old manuscripts (books, documents) from National Archives and National Library.

Indirect theft commonly happens through research development cooperation between local research institutions, universities, and non-governmental organization and foreign parties on behalf of a country, company, or non-governmental organization (donor institutions) taking the science and technology development material as biopiracy and geopiracy, in addition to local cultural wealth, which later is claimed as their own findings. In *Megalara garuda* case, for instance, Rosichon Ubaidillah, researcher from LIPI is not acknowledged as one of the species' discoverers. He was written off by the other two researchers from the paper proposal to international journals. Another case happens to language research by Indonesian citizen in North Halmahera. Apart from conducting language research, this observer was also assigned to perform research on natural resource wealth with assistance from other expert. Later, a well-known foreign gold mining company explored North Maluku following the language research. This is similar to cooperation conducted by Norway and Germany with several non-governmental organizations in Central Sulawesi. Apart from performing humanitarian missions, these volunteers also brought home crucial materials from Poso, Morowali, and Tojo Una-una to be analyzed for science and

technology development in their countries. The occurrence of these cases, once again, is possible due to lack of assertiveness, integrity, and wholeness in law enforcement to protect bio and geo resources in addition to socio-cultural wealth.

Impact from science and technology development threat map, particularly in the colonial bio and geopiracies *sensu lato*, including cultural production in globalization era cannot be taken lightly. This directly relates to state sovereignty, national independence, and national integrity. Meanwhile, our nation faces difficulty to rapidly advance and keep pace with developed countries as science and technology do not run synchronously. The most tangible instance is the lack of priority in the development of geo science and technology, in this case, related to coals. Holders of coal concession as well as local government tend to sell raw material with lower price instead of performing manufacture to give added value. Indonesia enjoys little from the sale, while industries in China, India, even Vietnam enjoy the material's added value. In palm oil industry, Indonesia must also become follower and leader of Malaysia. In fact, there are no countries as follower with orientation to interests that can easily and rapidly grow into a great nation.

3. Law

Law is one of the most crucial image of a country as it directly differentiates between groups of primitive creatures regulated by their capabilities of competing through power and a country with good governance in all aspects. Law has a role in the loss and

"Law has been working in favor of the rich and elites, victimizing the poor. Figuratively, the law enforcements is sharp downwards and blunt upwards."

damage of Indonesia's potential wealth in the forms of bio and geo wealth as mentioned above, in addition to its contribution to social and development rifts in political, economic, and cultural aspects.

As mentioned in the threat map, law enforcement is the most apparent aspect prone to threats in the crucial period of 2014-2019. These threats are attached to three law enforcement main pillars, i.e. legal substance, structure, and culture. Other threats to law enforcement include power and capital owner influence to law politics during law drafting process. Such prediction is not impossible to exist. In this crucial period, many parties, be it individuals, groups, indigenous people, or other parties acting on behalf of citizens, will try to affect government's decision or legislative decree. The Bloomberg case in 2012-2013 on Anti-Tobacco Law Draft may reoccur in the next period.

Powerful money politics in law enforcement is an issue for the state which fails to guarantee the fulfillment of citizenship rights to stand equally before the law. Law is biased towards the rich citizens and elite groups while against poor citizens. Figuratively, law enforcement is sharp downwards and blunt upwards. If such a phenomenon continues to exist in the period 2014-2019, accompanied by wider gap between the rich and the poor, while the media constantly publicizes chaos in sectarian and identity

politics, people may lose their trust towards the state, which will bring further conflict in the forms of anarchism, terrorism, even subversive acts.

Money politics involve a lot of law enforcers (e.g. police officers, prosecutors, judges) in case negotiation, but also create collusion with politicians and entrepreneurs. Along with power transition, such rights will trigger beef trade practice that give birth to high-level corruption cases such as Century, Hambalang, Health Instruments, and other unsettled cases. This will also strengthen clashes between law-enforcing institutions such as KPK with the Police, KPK with Prosecutors, KPK with Anti-Corruption Court, KPK with Prosecutors, Prosecutors with Judges, KPK with Supreme Court, and between advocacy institutions.

The weakening of law will extensively take place and grow larger due to media, particularly television, mixing law with opinions. The weakening is also determined by the quality of education that produce graduates with low reasoning skill and character, which in turn lowers the nation's ethics and integrity as foundation for the law enforcement.

4. Social Solidarity

As emphasized by social scientist Francis Fukuyama, the development of a nation is determined by the country's social capital in the form of trust between one and another. Trust between all national elements shows social solidarity crucially needed by Indonesia, which in the last few years stands at a low point. Identity politics and sectarianism that weaken social

solidarity have resulted in the halt of being Indonesia in various national elements, in addition to the weakening of synergy power that is supposed to strengthen our nation.

Once again, law enforcement becomes an important aspect in maintaining our nationality. Law enforcement acts on behalf of the state to fulfill citizenship rights while at the same time demands accountability from the citizens of their duties. Therefore, solidarity binds and unifies all diversified community elements from the five geo-historic ranges. In its history, Indonesia was initially not built based on the "law statute" of *de jure* and *de facto* that can be accounted for before the law. Our nation was built based on a concept of mutual "life awareness" within one nation. Awareness, which is an abstract concept and having no value before the law, may become a remarkable power that unifies mutual lives within one place, Indonesia as a nation.

The awareness was later defined as the "state of Indonesia" which is legal before the law under the foundation of the 1945 Constitution, Pancasila, and other legal instruments. These instruments are supported by social and national solidarity to create the feeling of togetherness for mutual purpose of struggle. This mutual awareness becomes an anomaly of state sovereignty when the country fails to guarantee the rights of each citizen as loyal supporters of the ties, or merely treated as "wasted, complementary, marginalized group" presented to meet only a few people's needs. Such anomaly becomes serious threats in the period 2014-2019 due to its systemic impact to state sovereignty.

5. Violence against minorities

Radicalism and violence against weak and minority groups clearly bring impacts on the weakening and harassment of our nation's dignity. Every developed and prosper ous country always respect and uphold its nation's dignity. In these past few years, radicalism and violence are clearly practiced and remains a threat for the next five years. State 'presence' is gravely needed to overcome such threat, as seen from previous cases, where violence against minorities took place due to the 'absence' of the State.

In Cikeusik case, for instance, where a group of people attacked and burned down houses of Ahmadiyya adherents. Signs of the attack were seen earlier from a mass coordination using "*janur kuning*" (lit. yellow coconut leaves) as their symbol. About this, had the State given early responses, the apparent loss of lives and materials might be prevented. Our state received highlight globally as the party that failed to protect the human rights of a religious minority group.

For years, cross-generation, the society has been equipped with internal mechanism to settle conflicts. However, new matters brought by external parties from global and regional strategic environment trigger the society to easily act anarchically. The United States' attack on Taliban in Afghanistan triggered violence in Indonesia domestically, in the forms of terrorist movement and attacks under Al-Qaida network. Sunni-Shia conflict in the Middle East has also brought large impact on internal relation between Islamic groups in Indonesia. In reality, both sects have

entered the *Nusantara* at the same time during the arrival of Islam which was brought by traders from their respective route of Silk Road.

People's quality of education and weak law enforcement are the main factors that determine the outbreak of violence against minorities. Media also participates in information globalization by spreading trans-national ideology throughout regions of Indonesia without previously understanding the socio-cultural context that is needed for the application. Such matters easily trigger religion-related violence against minorities. In ethnicity-based conflict such as Bali Nuraga in Lampung, socio-economic gap became a key factor. In the pre-launching seminar of this 'Welcoming 2014-2019' book in Denpasar, Bali, it was emphasized that minorities need to contribute to prevent violence against them by not acting 'exclusively'. Exclusivity strengthens the allegation against them as others which became the basic of the unjustifiable chaos against Chinese descents in Jakarta and Solo during May 1998.

Efforts and Strategies to Overcome Threats

Based on the national geo-historic connectivity frame, a number of threats that may bring negative impacts for socio-cultural development for the next five years can be overcome by two

mechanisms, i.e. (a) natural mechanism consisting of national society's capacity through cross-generation experience process; and (b) artificial mechanism by individuals or the state through authority, leadership, and power.

Natural or internal mechanism covers cultural aspects truly born from the community, albeit not denying influences from external factors. Such mechanism, referred by the United Nations as resilience (Kerangka Aksi Hyogo 2007), is a set of capability of a social system of a community vulnerable to hazard, to evade, avoid, face, and prevent all existing threats and risks in their surroundings.

People's capacity in such definition refers to traditional institutions and socio-economic system familiar to the people. The traditional institutions cover social mechanism, local traditional leadership, and cultural organization which also means local wisdom. According to John Haba (2007), local wisdom has the following characteristics and functions: (a) identity marker of a community; (b) as social cohesion bonding element; (c) cultural element growing from the bottom, existing, and developing in the society, not a cultural element forced from above; and (d) functioning to provide unity in a community.

Additionally, local wisdom also: (a) may change the mindset and interrelationship between individuals and groups by putting it above the common ground; and (f) capable of encouraging the creation of unity, appreciation, and mutual mechanism to defend themselves from possible disruption or damage to group solidarity as a whole and integrated community. Local wisdom seems to be a creative answer to local geographic-geopolitics, historical, and situational condition (Saini in Abdullah 2008).

The internal mechanism, in facing socio-economic threats, at least presents five strategies, i.e. (a) community value system preservation strategy (Haba 2007; Abdullah 2008); (b) regeneration strategy, which in Anthropology is referred to as weaning and nurturing pattern (Sheldon 1997); (c) cultural learning strategy, may be through direct involvement or memorization (Fromkin 1997); (d) power preservation strategy, to realize people's expectation, as stated in Anderson (1997) and Hefner (1990); and (e) the strategy to utilize traditional institution in the realms of life (Kleden Probonegoro & Humaedi 2012).

The second type, artificial mechanism, is made based on authority and leadership through policy and program. Here, national motivation and commitment of state officials such as civil servants, Indonesia National Armed Forces, and the Police becomes a quite potent power map. Law enforcement against criminal offense that might trigger racial conflicts can only be done by the state. Law enforcement by the people will bring dangerous impact, such as the practice of vigilante in closed space or on the streets. Such practice may also replace law supremacy with socio-cultural supremacy whereas the latter not necessarily succeed in overcoming the issues triggering the criminal offense.

Of course, not all threat maps can be overcome by the state, considering that full dependency on the government in the threat-overcoming processes and strategies may develop the threats into other formats and expand to other places. Such concern may truly occur due to different and contrasting perspective between government and the society. Government's perspective in overcoming threats is commonly

directed to security and stability principle, which oftentimes ends up as criminalization and stigma which eliminate citizenship rights of the parties considered as threatening.

A number of efforts and strategies to overcome socio-economic threats can be elaborated as follows.

1. Educational and health aspects

The strengthening of national values in the implementation of education and health to overcome threats in these sectors is done through the extraction of values of Pancasila and local wisdoms. Post-New Order, Pancasila seemed to be left behind, albeit its values that may represent national wisdom in ethics, normative values, and social flexibility. However, a large part of the society seems to show aversion to Pancasila. Young generations who were born between 1990 and 2000 face unstable condition; they do not appreciate the depth of this nation's life philosophy. As a result, these newest generations become the target of threats and the most potential stability threats. This can be understood since they lack the understanding, forced to accept the disoriented idea of "freedom to reform", in addition to unextracted local wisdom values and products.

Strengthening regional autonomy policy becomes another crucial strategy in welcoming 2014-2019. Here, policies related to the strengthening of education and health with regional autonomy scheme need to be encouraged as regional government is the party having the most knowledge of their own region. The

strengthening in education and health will succeed by calculating preparedness and empowerment efforts of each local authority.

Taking advantage of Information Technology development: As of 2013, Indonesia became one of the countries with rapid growth of information technology utilization. Unfortunately, this is not accompanied by increasing productivity of the users. The changes not only influence communication pattern in the society, but also information pattern and basic learning. Information technology development needs to be utilized in learning process of educational sector and discovery of medical technology.

2. Science and technology development

Strengthening the resource-based science and technology development paradigm is a crucial strategy for Indonesia. All Indonesian science and technology building, from policy to research priorities, shall be grounded by most effective and efficient utilization of natural and cultural resources for the interests of the nation. The paradigm has been written in the Preamble of the 1945 Constitution. Bioprospecting, geoprospecting, and cultural geo-historical may become the mainstream of Indonesian science and technology in 2014-2019.

The system of science and technology development in Indonesia must be fully grounded on the synergy between universities, research institution, and industry. These three aspects have been individually operating for long time without clear communication to avoid duplicated and redundant researches that are often

found. Foreign parties take advantages of potential research findings that do not receive support to be developed locally. Increasing nation's competitiveness since early to advanced age is necessary, to encourage productive group in providing the best for the state.

3. Law enforcement aspect

Law as commander of the nation is not a mere rhetoric and law enforcers are not mere 'toothless tigers'. Law enforcement must be implemented in national practice without discrimination. Previous explanations have stated that law becomes powerless, as the three pillars of law enforcement are marred by political interests and legal mafia causing corruption practices. The strategies in overcoming law enforcement threats in period 2014-2019 need to be related to three legal pillars and threat characteristics of each pillar.

Remapping job description of each functional officer in law-enforcing institutions, as functional officers are needed to encourage the success of institution's Task, Principal, and Function. Assessors and people in charge, including leaders encourage employees' efficiency by prioritizing performance and productivity principles. Success indicator in law enforcement becomes the point in the career ladder. This needs to be supported by the strengthening of judiciary institution's functions. Law-enforcing institutions need to discuss together of the division of tasks and authority to avoid future clashes among institutions.

Strengthening internal monitoring and encouraging external

monitoring is another effort that needs to be conducted. Internal monitoring is considered less effective due to partiality to own corps. However, such monitoring may run effectively when the promotion of post with inspectorate task force and ethic enforcement are sourced externally, while external monitoring is performed by NGO and mass media. Both are considered quite effective in monitoring performance and cooperation between law-enforcing institutions. Meanwhile, rearrangement of institutional synergy between House of Representatives' Legal Affairs Commission and the Cabinet . To strengthen institutional synergy, employees need to do "internship" at institutions with similar expertise.

These efforts may be performed with artificial mechanism strategy, to avoid paternalistic socio-culture system supremacy. The strategy shall be internalized into each employee or institution involved, in the forms of empowerment and coaching of law enforcers, in addition to job promotion based on performance and productivity.

4. Social and national solidarity

The two remaining aspects have strong relations, social and national solidarity with racial conflicts and inter-religious relationship. Both aspects give stimuli to each other. Weak social solidarity within community will trigger conflict and inter-religious gap. On the contrary, good relationship within the community will bring forth social solidarity. Despite this, for a study to be comprehensive, the mapping of both challenges and impacts need to be separated. There are at least four challenges

in social and national solidarity, i.e. (a) the strengthening of sectarianism in the forms of identity politics on behalf of class, ethnicity, and religion. (b) national politics contextualization related to poverty and social gap. (c) the strengthening of popular culture in appreciation and expression of individual freedom in public spaces which show rejection against national life's establishment. (d) rapid flow of information and knowledge including press and media freedom.

"Weak social solidarity within community will trigger conflict and inter-religious gap. On the contrary, good relationship within the community will realize social solidarity."

The question is what are the efforts and strategies in facing the challenges? In relation to this aspect, community's internal mechanism is larger compared to government's artificial mechanism, given that national social solidarity is the basic capital or capacity possessed by the society and becomes a power map of a nation. Still, the intensity, quantity, and quality have differences and face changes (increase or decrease) depending on the size of the emerging threats. It needs to be noted that from the perspective of Indonesian-ness, there is an interesting yet exceptional phenomenon. When conflicts of inter-society and inter-political group occur, there is a taboo or sin to state the presumptions of ethnicity. This shows that nationality and Indonesian-ness is highly upheld by Indonesian people. Also in Indonesian-ness and nationality, diversity of ethnicity and

traditions remains acknowledged, taught, and presented not as separator and differentiator in political lives, but as a form of traditional power.

Citizen's identity politics is not linked to ethnicity identity, as well. This is proven in the identity card recording, where ethnicity is not included as one of the categories and information. This is a simple form of the manifestation of Indonesian-ness and nationality model. This means that Indonesia essentially has good natural mechanism potential in social and national solidarity. Hence, the efforts and strategies to overcome the threats are emphasized more on the improvement of national internalization and the feeling of social solidarity itself.

There are several efforts that can be done, i.e. *First,* political public, especially youths, are encouraged to know and learn various ethnic traditions as a part of understanding the Indonesian-ness. Outlook on life, local wisdom, material culture, and other culture in the forms of dances, traditional music, and traditional crafts need to be encouraged to be taught in schools as part of art education and realization of social and national solidarity in addition to foster pride towards own country.

Second, nationality education needs to be re-interpreted or contextualized with situations at hand. Stories of national heroes, for instance, need to be re-narrated into popular patriotic stories in the efforts of maintaining sovereignty and unifying tribes across the nation. It needs to be remembered that classic stories or epics are the foundation for us to recount mutual experience

as one large nation struggling against colonialism. These heroes offer the values of perseverance, patience, and hard work. Heroes are crucial actors in national education. The saga shall be related to challenges against national ideas in current situation.

Third, the country needs to appreciate and respect new heroes in various sectors, such as environmental activists, scientists, creative entrepreneurs, and creative farmers. The definition of hero for our nation and state needs to be expanded along with the diversifying professions and employment.

Fourth, nationality needs to be contextualized with current political and social challenges to be effective and functional. This means that nationality value needs to be disseminate and interpreted in various sectors. It is necessary to maintain the context of nationality value and to have unlimited social definition in political activities.

Fifth, the state needs to support the creativity that gives birth to national music and songs, and encourages the awareness to respect differences and uphold the unity. We are a large country with diverse communities. Therefore a binding web is necessary, particularly through music, to elicit similar feeling of nationality in addition to emphasize the importance of unity amidst differences.

5. Diversity and racial conflicts

A number of efforts and strategies to overcome diversity issues, particularly racial and inter-religious conflicts may be conducted

as follows. *First*, grounding and socializing local wisdom contained in the outlook on life, heritage, and cultural practices which aim at harmonious lives of community groups with different ethnicity and religion. This will also encourage pluralism and multiculturalism spirit and way of life in responding socio-cultural differences among the citizens.

"*Ani himor laling gabenai, iwiu mai gereja oho do pi rumai pifeteng*. *Fou mar himor e natei mesjid oho do pi rumai pifeteng.*" "In heavy rainfall, landslides, and flash flood, the church will be the barrier fortress. If storms and waves coming from the sea, the mosque will be the barrier fortress." The saying is well-known in the heterogeneous society in Kafoa, North Probur, East Nusa Tenggara (Humaedi 2013). It is an exceptional cultural wealth and wisdom that should be preserved and introduced to all people of Indonesia.

Second, prioritizing cultural approach rather than religious consideration in the settlement of conflict-triggering issues. Cultural views and practices are in fact stronger and applicable to all community groups. Meanwhile religion, while strongly based on transcendence principle—where the happiness of heaven after the departure of a human becomes God's promise to be sought after, has little chance in adjusting with groups with different view. People of the East Nusa Tenggara have a saying that "religions (Islam and Christianity) were brought by seawater; while tradition and culture were born from the earth we stand on." An allusion that cultural aspect is truthfully stronger than religion, as culture was born in a region, through generations, while religion

is a pre-formed creation attained by people in certain region. Such allusion is similar to the saying where culture was born from the "bowels of the earth", while religion was brought by "sea currents", as known by people in Eastern Indonesia.

Third, prioritizing contextual religious interpretation and benefit of the people in general. The acknowledgment of truth is not valid when faced with parties outside the religion, which of course have their own acknowledgment of truth. Racial conflicts on behalf of religion often occur when each adherents force truth acknowledgement to other parties, particularly when followed by economic interest and ethnic identity politics behind. When this happens, religions that bring the message of peace and goodness – such as Islam and Christianity or other religions – seem to be considered as religions bringing and teaching the practices of violence. In fact, violence is a contra of humanitarian instinct, while at the same time a contra of a religion's teachings and dogma.

Fifth, encouraging the actualization of peaceful religion concept as main competitor of hard-line religious movements that may be disastrous to social order. This is important, particularly when peaceful religion concept is faced with different religion, where such religion may become the creator of harmony. However, peaceful religion principles and practices should be balanced with the intent, principles, and practices from different religions; which naturally will create excellent and beautiful peace for the social life within the country. Here the state holds a role to keep diversifying concepts and practices stand above respects to people of other faiths.

Sixth, re-strengthening and encouraging mutual practices by prioritizing and basing on general civility. This is performed to create mutual order and just and civilized welfare for all citizens.

Seventh, cross-organizational dialog with interfaith logic as the foundation, is an artificial mechanism that might probably work. Even so, the dialog should not be a mere lip service or cross-religion project. In community level, involvement from religious figures, public figures, worship leaders or administrators, and other interested parties is required.

Eighth, the prioritization of interfaith logic principles in all social life aspects. Interfaith logic or in-depth frame of mind about inter-religious relationship becomes the foundation of the understanding. Meanwhile, a mythology about "Indonesian-ness" or Nusantara needs to be built together as a binding instrument of various ethnic groups spread throughout Indonesia.

Overview and Recommendation

Indonesia in the period of 2014-2019 is challenging all aspects of life including socio-cultural aspect which directly face two tremendous issues: population explosion which is expected to be a 'Demographic Bonus' and global cultural invasion that may put aside our own culture. The challenge is how to accelerate the process of 'being Indonesian' of various community elements as part of the efforts in binding Indonesian-ness and building nation's dignity. The reality in the aspects of education and health, science and technology development, law enforcement, social solidarity, and diversity and national diversity which for the last few years

are far from ideal has the potential to turn into threats for the efforts in binding Indonesian-ness and building our dignity in the future.

Impacts of the threats are quite tangible, in the forms of improvements of the quality of reasoning and health and national characteristics, which so far were low and lack of significance to bring Indonesia to take off. Disoriented science and technology development prioritizing the nation's wealth in the forms of bio and geo resources and culture not only will fail in creating innovations to meet people's welfare, but also are vulnerable to thefts from foreign parties. Meanwhile, law sector, which is weak in integrity and ethics, has not shown significant effort to emancipate from money politics—the largest potential that hampers Indonesia to be progressive.

Other impacts from the tangible threats in social sector for period of 2014-2019 is social clash resulted from the 'me vs. you' instead of 'us' perspective. The perspective states that people with different identities are others that can be avoided and, if necessary, faced with violence; especially if what faced is a minority group. Social clashes strengthened by negative practices of the Regional Autonomy which trigger the issue of 'the native son' by sacrificing the quality and interest of the realization of Indonesian-ness. Whereas, a nation's most important capital lies in trust as a social capital that binds nation's synergy as a whole.

In relation to social solidarity, racial conflicts and radical religious movements spreading anxiety followed by gruesome conflicts these past few years remain as threats. The level of people's maturity is indeed one of the determining factors in addition to the absence of

the state and indecisiveness of law as the more crucial factors. Amidst information globalization tendency that may set off foreign incidents triggering violence in our Country, as well as unrealized media role that may turn anarchists and radicals into 'heroes' with the story of their 'bravery'. Such reality is indeed degrading and insulting to our nation's dignity.

With exposed threats and impacts, certain efforts are needed under the values of local wisdoms and national identity, such as:

First, educational and health authorities need to change tangible development paradigm into an intangible one. This is performed to prioritize 'education paradigm' as character builder to balance quantitative 'system paradigm' which has been used by educational authorities. The quality of the teachers, particularly their characters as the weak point in education is more effective to overcome using 'educational paradigm' compared to 'system paradigm'. On the other hand, for health authorities, it is time to prioritize 'health paradigm' rather than 'medical paradigm' for the next five years.

The paradigm shift is not only needed in the level of policy makers, but also at bureaucratic lines, even supporting educational institutions e.g. Teacher's Training Institutions (LPTK) and medical colleges and faculties. The importance of 'health paradigm' needs to be emphasized in medical education which specifically aimed at exploring the medical field. It is also time for educational and health authorities to reduce the establishment of central programs and pay more focus on the empowerment and guidance to regional authorities as the spearhead of community's educational and health services.

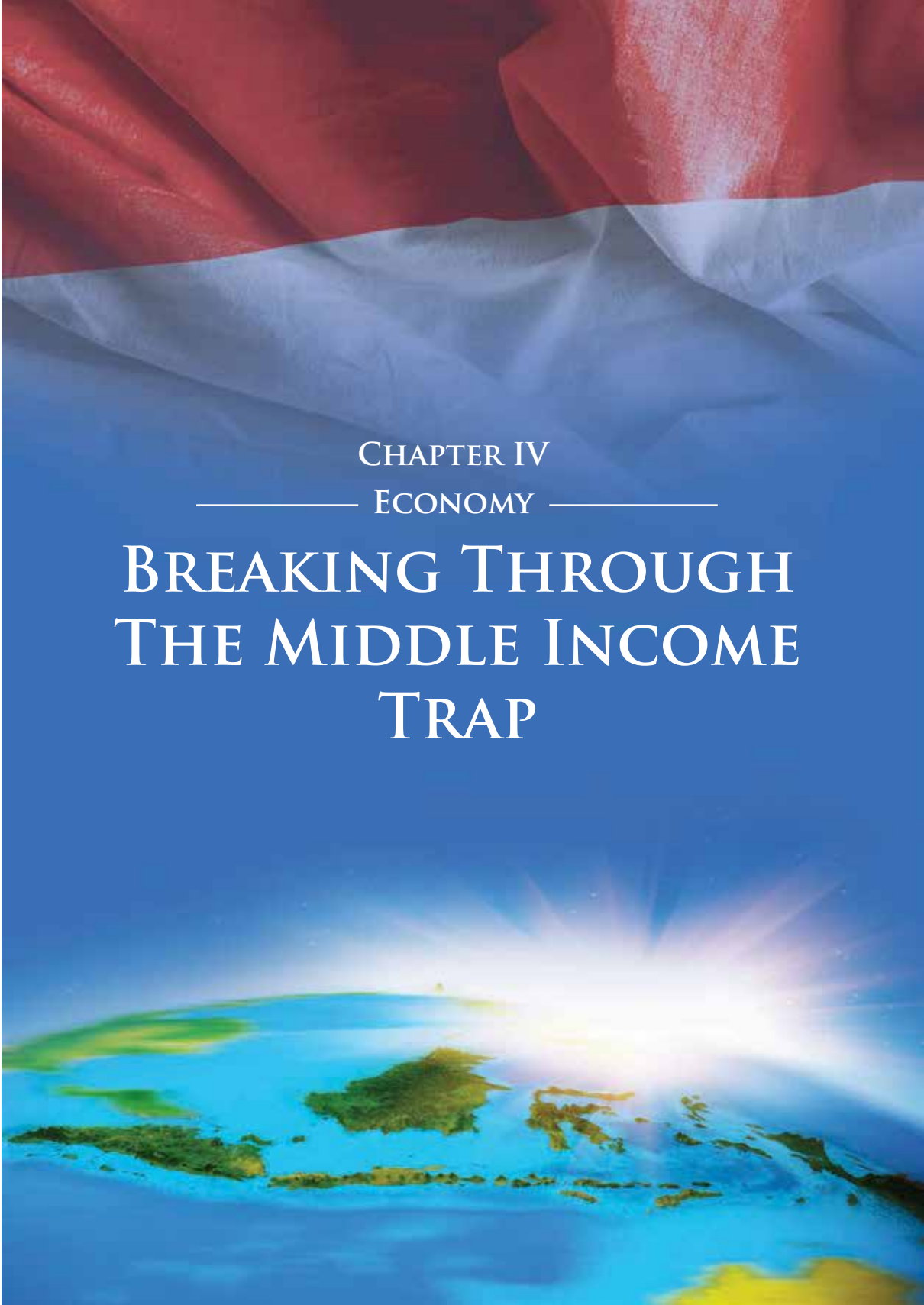
Second, science and technology development needs to prioritize bio, geo, and cultural sectors as Indonesia's original strength. Therefore these sectors may drive national innovation directly and competitively in front of other countries globally. Protection to bio, geo resources, and culture is also needed to prevent direct and indirect theft of national wealth such as mining products including minerals, germplasm by various foreign parties, and theft of ownership status of art and cultural products as conducted by Malaysia.

Third, law enforcement reform needs to be conducted for the improvements of integrity, characters, and competency of law enforcers to perform their roles as appropriated. The cultivation of national consciousness is important to be held along with deepening sense to free law enforcers from low culture of money politics through case negotiation and collusion. Tight selection, good training and self development system, provision of proper salary and facilities, and promotion of simple lifestyle will help in realizing the reform. In advanced countries, law apparatus are people with highest integrity. It is about time to create a similar situation in Indonesia.

Fourth, weakening social ties in these past few years shall be strengthened in the period of 2014-2019 through promotion and conditioning of national awareness. Geo-historic values need to be excavated, resurrected, and re-socialized through various media. Developed nations are nations with global characters and cultures with strong root to own cultural values. Nationality values in the forms of diversity awareness and the characters of Pancasila, in addition to our local wisdom are highly valuable social capitals that may bring Indonesia into a firm global nation with particular cultural characters such as shown by China and India.

Fifth, diversity in all aspects, from ethnicity to diversity of religion shall be made as the main capital in building a beautiful mosaic of Indonesia. Only primitive and uncultured backwards people dispute identity differences and settle them through violence. Indonesian people in general is currently at a higher intellectual and emotional level, therefore racial conflicts are not supposed to happen although in reality they remain to potentially occur in the next five years. The 'presence' of the state, legal certainty, broad-mindedness of the majorities, the modesty of minorities to avoid exclusiveness, and rearrangement of regional autonomy with excess to identity politics will help in realizing to build the mosaic.

With these efforts, Indonesian social order in the future will be built strongly, even though its realization for the period of 2014-2019 has not been supported by proper foundation. Nevertheless, with cooperation from all sides and serious efforts, our Indonesian-ness will be bound to realize an Indonesia with dignity, which not only illustrated by the Garuda Jaya team on football field, but also in all fields of life.*



Chapter IV

Economy

Breaking Through The Middle Income Trap

"For once, may the interest of minor wealthy men is not against the interests of the many poor. The form of justice that we want is common justice based on prosperity and happiness".

~ Sutan Sjahrir- Republic Indonesia's First Prime Minister ~

photo © Worldpics

Economy

Breaking Through The Middle Income Trap

In the last two or three years, Indonesia's economy continued to show satisfying growth even when the world economy was haunted by prolonged European crisis, Middle East was still shaken by the political dynamic, and US was still in fiscal deficit. At such times, Indonesia was able to record over six percent growth in 2011 and 2012 although slightly down in 2013. On such level, Indonesia had recorded as one of G20 country members with the highest growth rate, at 6.5 percent in 2011.

Indonesia signed up at G20 as a country that prevailed over about 85 percent of world economic in 2009. Indonesian development profile in these few years brought attention of some countries and

international organizations such as World Bank that projected Indonesia along with Brazil, China, India, South Korea and Russia would contribute 50 percent global growth in 2025. With income or Gross Domestic Product amounting to 825 billion US dollar in 2011, Indonesia is recorded as the sixteenth country with largest economic level in the world. In the last year towards 2014-2015 there were some attenuation in Indonesian economic indicator, such as in economic growth, Rupiah exchange rate, up to the level of foreign exchange reserves. Nevertheless, in general, the economy remains good and steady as foundation for the next period economic development. Level of strength, and weakness, of Indonesia's economic foundation, as a whole can be described as follows:

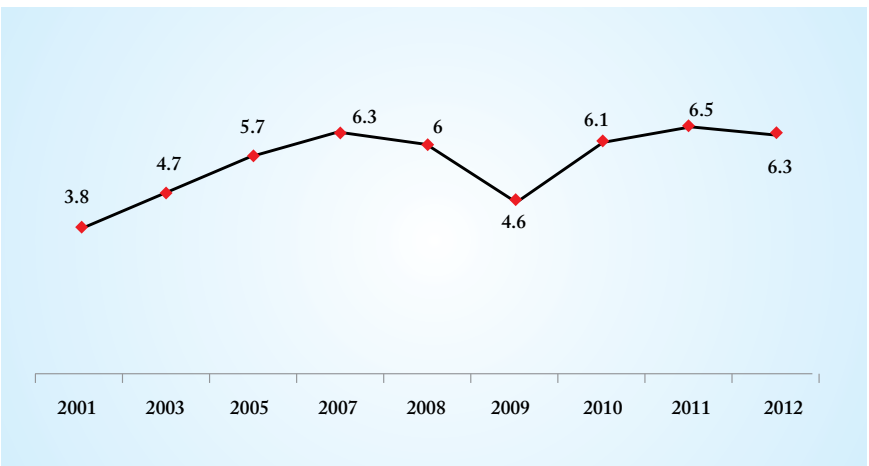
Indonesian Economic Foundation

Indonesian economic stability and performance in the last five years shows relatively good level. The good Performance was indicated in 2010, which provided optimism for the following years; Indonesia's economic growth was able to survive, even increase. That was proven when in 2011 Indonesia recorded a 6.5 percent growth. That performance brings optimism in achieving prosperity through acceleration of growth distribution to all areas in Indonesia. The growth was not only higher than the 2011 global economic growth at 3.9 percent, but also the third highest in Asia Pacific after China and India, and the highest in South East Asia region.

Many parties mentioned 6.5 percent growth was 'outstanding' when the world was in crisis since 2008. That was a valuable capital for

Indonesia in managing the economy in the future. In the following two years, in 2012 and 2013, the economic growth was slightly down. However, in general, the economy was at a relatively steady level amidst many uncertainty in global economy in recent years. A more complete picture on Indonesian economic performance in the last decade can be viewed in the following chart:

Chart 1: Indonesian Economic Growth 2001-2012

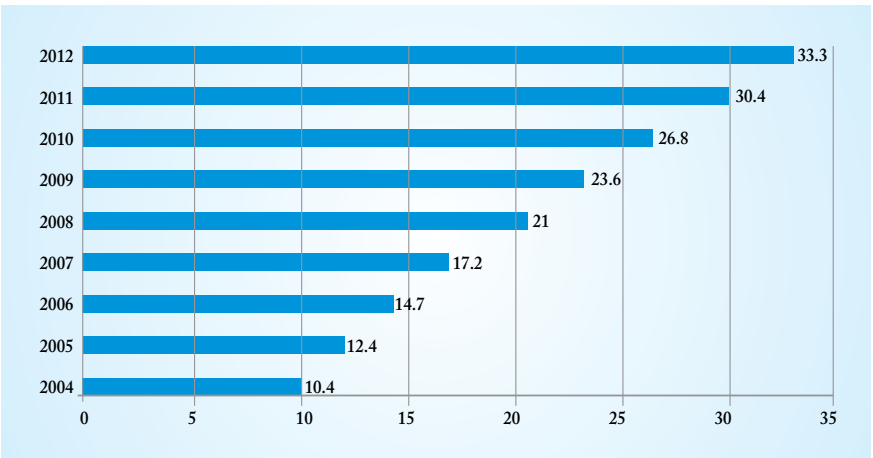


Source: Economy Indicator, BPS (processed)

Indonesian economic performance was also reflected in the increase of people per capita income, from US $3000 in 2010 to US $ 3542 at the end of 2011. The increase in per capita income also caused Indonesian middle class growth that was predicted reaching 7 million people per year. The number of Indonesian middle class, in this case the middle-low spectrum, in the same year reached 130 million people or 53 percent of total population. This number rose sharply in the last 10 years when during 1998 post-crisis the number

was only around 25 percent of the population. The increase of per capita income of Indonesian people can be shown in the following chart:

Chart 2: Per Capita Income 2004-2012 (Rp. Millions)



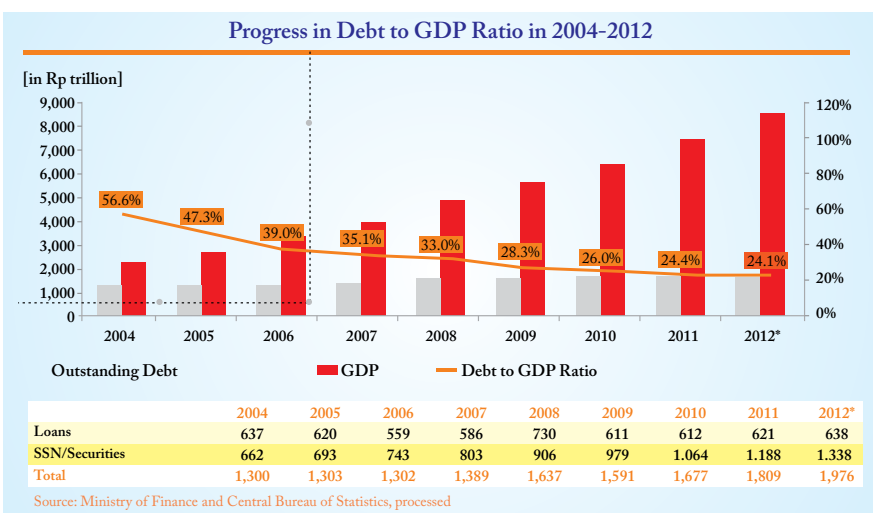
Source: Economy Indicator, BPS (processed)

The increase of Indonesian middle class in the last decade also becomes the backbone for national economic structure, where domestic consumption contributes up to 55-56 percent. The Asian Development Bank (ADB) report entitled *The Rise of Asia's Middle Class* also shows the wiggle of Indonesian middle class that is growing fast. Even, the World Bank report, '*Global Development Horizon 2011 – Multipolarity: The New Global Economy*', placed Indonesia along with China, India, South Korea and Brazil, as global growth epicenter with estimation that part of the global growth is contributed by those six countries in 2025. The growth of Indonesian middle class is predicted to continue until the end of Demography

Bonus period in 2040, when Indonesian Demography structure is dominated by the productive age group, whereas *dependency ratio* or percentage of elderly and children population decreases.

Indonesian economic performance can also be seen from debt ratio to income or Gross Domestic Product (GDP) that in the last decade can be reduced to relatively stable level. In 2011 debt ratio to GDP is 83 percent, which continues to decrease until 24 percent in 2012. This ratio is a very stable debt ratio amidst debt ratio of European countries, Japan and the US that is nearing 100 percent. The impact of prolonged European zone debt crisis to Indonesia is relatively minimal given the relatively strong domestic economy structure supported by domestic consumption. On the other hand, efforts to diversification of export destination are also encouraged targeting nontraditional markets as major export destination markets.

Chart 3: Debt Ratio to GDP 2004-2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Loans	637	620	559	586	730	611	612	621	638
SSN/Securities	662	693	743	803	906	979	1.064	1.188	1.338
Total	1,300	1,303	1,302	1,389	1,637	1,591	1,677	1,809	1,976

Source: Ministry of Finance and Central Bureau of Statistics, processed

Source: Finance Ministry and BPS

Economic growth that was positively maintained in the last few years decreased in 2013 due to global downturn and economic downturn pressure of China and India. However, Indonesian economic growth was relatively high compared to global growth at only around 4-4.5 percent in 2010-2012 period. This achievement placed Indonesia in G20 group as country with high growth along with China that recorded the number of 8.1 percent and India at 5.3 percent. Meanwhile, Indonesian GDP value, which was counted based on constant 2000, reached Rp.2.618 trillion in 2012. The value increased by Rp.153 trillion compared to 2011 value at Rp.2.465 trillion.

Based on its use, the highest growth rate in 2012 occurred on Gross Fixed Capital Formation (GFCF) or physical investment at 9.8 percent. GFCF has wide multiplier effect for not only encouraging production side, but also stimulating consumption side. GFCF would encourage employment opening and expansion, improve people's income, which in turn would stimulate people's consumption. Recorded Household Consumption that grew more than five percent also supported economic growth. Meanwhile, Government Consumption sector that was expected to provide optimum contribution to national economic growth only grew by 1.25 percent.

Household consumption slowdown occurred in the second quarter of 2013. The downturn was caused by, in part, inflation pressure of post subsidized fuel price increase and food price increase. Government consumption growth was also relatively slowing down compared to previous period, i.e. from 7.7 percent in first semester of 2012 to

1.4 percent in first semester of 2013. This downturn was caused by a decrease in growth of budget expenditure for goods in relation to budget efficiency policy and low budget expenditure for social assistances and other budgets due to delay in the disbursement in several ministries and agencies.

Meanwhile, until the first semester of 2013 GFCF also experienced significant downturn in comparison to the same period in the previous year. The decline was from 11.2 percent to 5.2 percent. Significant downturn occurred on overseas machinery and equipment investment, overseas transportation, and others where those three sectors experienced contraction. On the expenditure side, Household Consumption gave the biggest contribution, i.e. 55 percent, while Government consumption contributed 7 percent. Whereas GFCF 31.8 percent, export 24.8 percent and import 24.8 percent of total GDP.

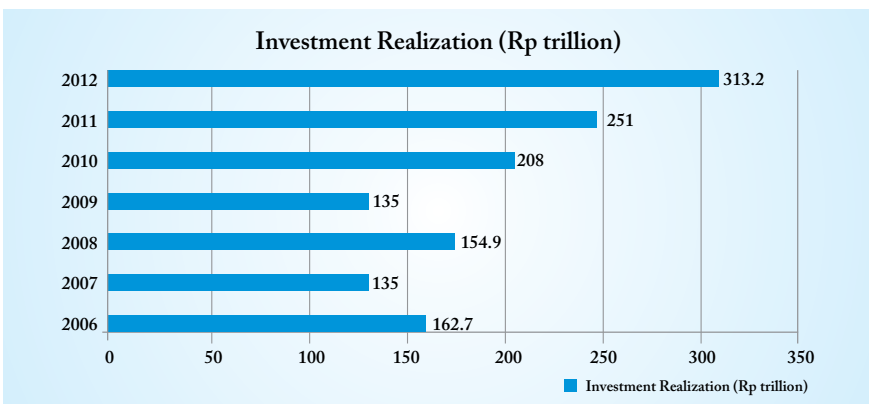
A number of Indonesian economic aspects in the last few years and the future projection can be described further as follows:

1. Investment

Investment plays an important role in Indonesian economic growth that in several years the realization is beyond target. In 2012, realization of the investment reached Rp.313 trillion, which is expected to increase up to Rp. 500 trillion in 2014. Competition to attract foreign investment directly is not easy. Competition between countries, especially in Asia and Latin America to get foreign investment flow directly becomes tighter. Global investors

would evaluate a number of criteria from social-political stability, law assurance, availability of raw material, productivity of human resource, technology up to the size of domestic market. Even more considerations would be evaluated for investor that would invest his capital in real sector, which is a long-term investment. Therefore, all of the mentioned factors would be *net-present-value*-d to measure the level of risk and investment feasibility. Achieved realization for the time being shows that Indonesia remains on relatively good position in investment aspect.

Chart 4: Development of Investment Realization 2006-2012



Source: BKPM

At present, Indonesia has momentum to attract and increase both Foreign and Domestic Investment. After going through post 1998 economic crisis recovery process, Indonesian economic structure and foundation is considered stronger. Indonesia has the potential to become one of the world's 10 biggest economic strengths in 2020 with GDP of 3.200 billion US dollars.

McKinesey published a report entitled *'The Archipelago Economy: Unleashing Indonesia's Potential'*. In the document, it is predicted that in 2030 Indonesia will become the world's 7th economic strength.

At present, Indonesia will get more or less 90 million middle class additions with high purchasing power. At that time, Indonesian domestic market will be considered large enough for urban consumption growth is predicted to increase by 7.7 percent on average and creates market potential by 1.1 trillion US dollars. Indonesian domestic market potential in the future becomes one of the pull factors to invest in Indonesia. Currently, Indonesia is the 15th economic strength based on the *Purchasing Power Parity* (PPP). With an average growth rate at above six percent, it can be ensured that the opportunity to invest in Indonesia will grow. This is not only caused by an increasingly growing middle class and consumer purchasing power, but also natural resources potential –both renewable and not—which is big enough to be processed. Industrialization and down-streaming programs become the entry for natural resources processing investment in Indonesia.

World Economic Forum (WEF) also placed Indonesia as the most competitive economy in Asia after China and Malaysia. Besides that, the lastest survey by UNCTAD placed Indonesia as the 4th best destination country for multinational company investment. Support from democratization process that has matured also adds value and eligibility substance to Indonesia as world investment destination.

2. National Competitiveness

A number of agenda to constantly increase national competitiveness needs to be improved. The decline in national competitiveness rank from 46 (2011-2012) to 50 (2012-2013) has posed a pressure for constant improvements specifically to maintain the national competitiveness environment. In the period of 2013-2014, WEF promoted Indonesia's competitiveness to 38th place or up by 12 ranks from the former place. Previously, Indonesia had three consecutive years of declining competitiveness. The rise placed Indonesia as one of the countries with the highest rank promotion for its competitiveness. Indonesia outperforms four out of five BRICS countries, i.e. Brazil, Russia, India and South Africa. WEF identified 10 of 12 competitiveness assessment that indicates Indonesia has achieved improved and better result.

WEF considered infrastructure construction in Indonesia as continuing to improve as can be seen in better road quality, clean water provision, port, electricity generator, and other facilities. Apart from that, WEF also assessed Indonesian macroeconomic condition as well maintained with a positive and stable growth. WEF also appreciated the development of science and technology in Indonesia as well as success in governance. This significant rise of competitiveness rank is an accomplishment in the last few years.

While national competitiveness rose, some efforts still need to be done, such as simplification of bureaucracy, permit, and improvement for a conducive business environment. Good

"Despite improvement in national competition, several efforts need to be done in the simplification of bureaucracy, licensing, and improvement of favorable business climate. Coordination, either the central-regional or cross-ministry, need to be optimized in order to provide certainty for businesses."

coordination between the central and regional governments as well as cross-ministry coordination needs to be optimized to provide assurance for business, so that Indonesia will still be able to optimize all investment potentials, both foreign and domestic. One of stimulants for investors in increasing their investment eligibility is the availability and quality of infrastructure. Consequently, availability and quality of infrastructures like road, port, electricity and airport become a priority for improvement. In order to improve national competitiveness, the government has also launched a program to accelerate infrastructure development as outlined in the Master-Plan for Acceleration and Expansion of Indonesian Economic Development (*Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia* - MP3EI). It is intended to bring connectivity so that production process in the national level will become more efficient.

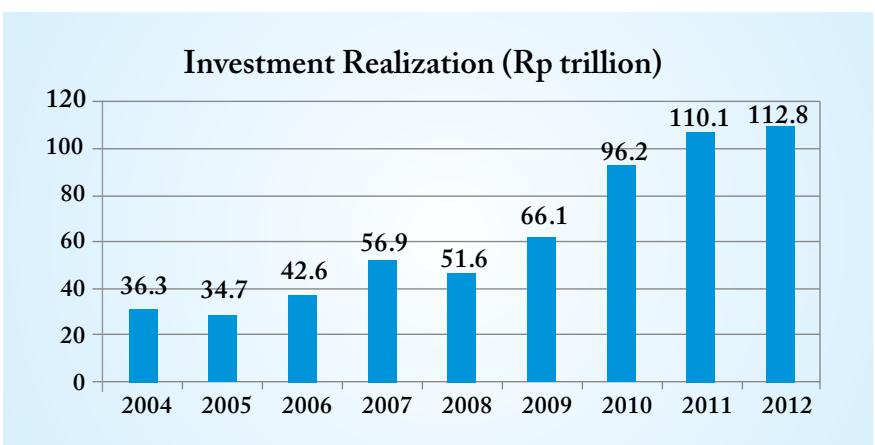
3. Foreign Exchange

Foreign exchange reserves grew rapidly in period of 2010-2012, but slightly declined in 2013 due to deficits in trade balance and payment. In 2012, foreign exchange reserves reached 112.8 billion US dollars

or rise by 2.8 billion US dollars over the previous year. Compared to 2009 foreign exchange reserves at 66 billion US dollars. Rapid growth of foreign exchange reserves in the period of 2010-2012 that was supported by indication of strong domestic economic structure with various assessment instruments encouraged by world ratings agency (Fitch, S&P, and Moody's) increase Indonesian investment level to investment feasible zone (*investment grade zone*).

Until September 2013, Indonesian foreign exchange reserves reached 95.7 billion US dollars. The decreasing foreign exchange reserves compared to 2012 was due to market intervention throughout first semester of 2013. At that time, global financial market turmoil had depressed the economy of some developing countries including Indonesia. Capital outflow following The Fed rumor would accelerate the termination of QE3. Rupiah currency exchange rate weakened during period of January-August 2013.

Chart 5: 2004-2012 Foreign Exchange Reserves



Source: Finance Ministry

4. Export-Import

The pressure of the global economic downturn in the last few years has caused national export to slow down due to reduced demand from export destinations. In 2012, Indonesian export recorded a 2 percent growth. Meanwhile, import grew much higher, at 6.65 percent. The increase in import is due to increasing non-oil and gas as well as oil and gas imports. In addition, import increase was also affected by increasing raw materials and capital goods imports. In 2012, raw materials imports recorded a 7 percent growth in comparison with the previous year. Whereas capital goods import in the same year grew by 15.24 percent compared to the previous year. Higher import growth rate in comparison with export component has made Indonesia experienced a deficit in balance of trade.

At the beginning of 2013, export growth experience another decrease to 4.2 percent from 5.3 percent compared to the same period in the previous year. Meanwhile, import growth experienced a larger decline, to 0.3 percent from 10.2 percent. Pressure of exchange value, decline in need for import input of export and domestic commodity production, as well as concern for inflation pressure caused downturn on the import growth. Deficit in Indonesian balance of trade in the first semester of 2013 reached 3.31 billion US dollars, mainly due to deficit in oil and gas balance and lack of improvement in non oil and gas sector due to global economic downturn and tendency to decline in main export commodity price. Cumulatively, Indonesian export value in first half of 2013 reached 91 billion US dollars or

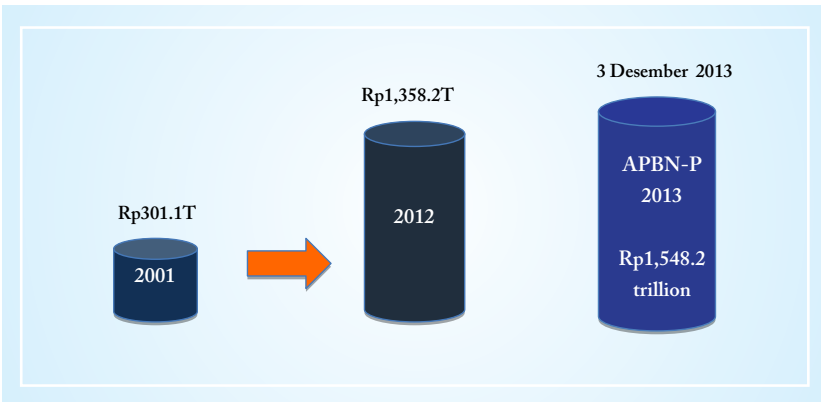
decreasing by 6.1 percent compared to the same period in 2012. 74.77 billion US dollars of which were non oil and gas export. The import cumulative value during the same period was 94.36 billion US dollars or decreasing by 2.16 percent compared to the previous year.

5. Income Structure

In the last decade, tax revenue contributed 70 percent on average of total state revenue and grants. Taxation consists of domestic taxes such as income tax, VAT, excise, property tax, Customs Acquisition of Land and Building, and other taxes, as well as international trade taxes in the form of import duties and export duties. On average, domestic taxes dominated 96 percent of total tax revenues in the period of 2006-2012, whereas international trade taxes contribute an average of 4 percent.

Posture of Indonesian State Budget until 2012 has shown a significant increase in budget capacity. In 2001, State Budget and Grants was only about Rp. 301 billion, but since then has increased into Rp 1.358.2 trillion in 2012 APBN-P (Revised State Budget) or increased by 351 percent in a decade. Meanwhile, the state budget in 2001 that was only Rp. 341.6 trillion has increased into Rp. 1.548.3 trillion in 2013 APBN-P (Revised State Budget) 2013 or multiplied by 353 percent in a decade.

Picture 1: 2001 & 2012 State Revenues and Grants, 2013 APBN-P (Revised State Budget)



Source: Finance Ministry

Tax revenues as the biggest contributor to state budget posture has increased significantly, both when it was calculated since 2001 and in 2005. Tax revenues increase at Rp. 980 trillion at the end of 2012 or increased by 371 percent from 2001 at Rp. 185.5 trillion. In accordance with APBN-P (Revised State Budget), the 2013 tax revenue target reached Rp. 1.148 trillion or almost by five times from 2001 tax revenues. This performance surely increases optimism in achieving various government development programs, both in medium and long term, and in other development programs.

Increasing tax revenues in State Budget posture in the last ten years affected the debt portion decline as source of funding in State Budget. Debt ratio to GDP dropped to less than 24 percent in 2013 compared to 2001 at 77 percent. Budget deficit within the decade was also well maintained at an average of 1.4

percent of GDP. In 2001, the state budget deficit was recorded at 1.1 percent or was reduced to 54 percent from 2001 when it reached 2.4 percent. The 2012 state budget deficit at 1.86 percent is slightly elevated in comparison with the 2011 deficit due to deficit pressure in balance of payment and trade, but this deficit was quite low, both in the region and global.

At present, Indonesia is at the point of economic acceleration. This situation is expected to bring Indonesia as the world's new economic power. On the fiscal side since last period of the 2000s, Indonesia always maintained fiscal balance with a constantly declining debt ratio into below 24 percent by the first semester of 2013. On the macro-economic fundamental side, Indonesia is recorded as a country with relatively low inflation rate in South East Asia, even in comparison to several emerging markets. For example, India whose growth is relatively high but accompanied by an inflation rate of 10 percent and China with a 6 percent inflation rate. The demography bonus that would be enjoyed from 2010-2040 is a great opportunity for Indonesia to optimize its potential, either in terms of domestic economy and in global economy.

6. Poverty and Employment

Stable economic growth, even though slightly declining in last year, resulted in the decrease of poverty indicator. The number of poor people was 13.33 percent or about 31.02 million people in 2010 decreased to 11.37 percent or 28.7 million people in 2013. Many new employment opportunities created in the last five

years also aid in decreasing the number of unemployment i.e. 8.59 million people in 2010 into only 7.17 million people in the first semester of 2013.

Global economic downturn and crisis in the European zone would not lessen the government's effort and commitment to continuously conduct development strategies oriented in the *pro-growth*, *pro-job*, *pro-poor* and *pro-environment* direction. The completion of several development agenda such as infrastructures, roads, seaports, airports, telecommunications, and energy becomes an incentive for higher investment appeal. A relatively maintained fiscal balance, besides increasing the use of fiscal as growth stimulus, also increase budget absorbance.

Beside infrastructure, purchasing power of grassroots community is also maintained. The strategies are for instance, providing accessibility to micro and business groups to enable them to increase their capability and production capacity. Mechanism of People Business Credit (PBC) cumulatively, since its conception in 2007 until March 2013, has a total absorption of Rp. 108.4 trillion with business recipients reaching 8.3 million debtors. Aside from being equalization mechanism, PBC's function and role are also to increase the capacity of small and micro businesses. Therefore, this will create employment and enable small and micro businesses to increase their income. An increasing income will surely expand opportunity for national consumption and savings.

Increase in employment expansion is one of the strategies to break the cycle of poverty in Indonesia. Up to August 2012, level of open

unemployment could be suppressed down to 6.14 percent. This achievement even received a mention in the 2012 IMF mid-term report when developed countries were facing high unemployment as an impact of global crisis. In addition to the "keep buying" strategy, various development acceleration programs also contributed to employment expansion, which then induced an increase in formal sector workforce up to 40 percent.

Poverty reduction acceleration program through four clusters not only suppresses the poverty number but also elevates people's purchasing power. In addition, ongoing development program and investment inflow has expanded employment as one of the catalysts in reducing poverty in Indonesia. Cluster I to Cluster IV accelerate poverty reduction in order to ease target achievement by the end of 2013. With various programs designed within the big frame of development acceleration, Indonesian poverty level is expected to be around 8-9 percent by the end of 2014.

The four poverty reduction program clusters are as the following: *First*, in the form of direct assistance of rice to poor family (*raskin*), School Operational Support (SOS), and Ideal Family Program (HFP); *Second*, National Program for Community Empowerment (NPCE) development. *Third*, small, micro and medium based business programs through People's Business Credit (PBC) and *Corporate Social Responsibility* (CSR). *Fourth*, low-cost house, low-cost public transport, more equitably clean water and electricity, and improvement in the life of fishermen and the urban poor programs.

In 2013, government encouraged integration program of Cluster I until Cluster IV to accelerate poverty reduction to ease target achievement by the end of 2013. Through many programs in the big frame of development acceleration, poverty in Indonesia was expected to be suppressed to 9.5-10.5 percent by the end of 2013. Budget allocation in 2013 proposed national state budget for poverty reduction reached Rp. 115.5 trillion. In 2013 national state budget, the budget was allocated for the implementation of:

- First Cluster including HFP in the amount of Rp. 2.8 trillion to reach 2.4 million of targeted very poor households. Rice for 15.5 million poor families using Rp. 17.2 trillion, and health insurance program for 76.4 million people.
- Second Cluster, NPCE program with an allocated amount of Rp. 13.4 trillion included program for rural areas at Rp. 9.6 trillion targeting 5.100 sub-districts, programs for urban areas at Rp. 2 trillion for 10.922 urban villages and rural infrastructures development program at Rp. 0.8 trillion for 2.600 villages.
- Third Cluster, government targeted improvement in PBC program for micro, small and medium businesses.
- Fourth Cluster was targeted for self-reliant house construction for 60.000 units.

In addition, with education budget reaching Rp. 336 trillion, Government resumed SOS program to ease the burden of education cost to complete the 9-year compulsory education. Around 45 million students of primary school, *madrasah ibtidaiyah*, and *salafiyah*

ula students as well as students of junior high school, *madrasah tsanawiyah*, and *salafiyah wustha* became the program beneficiaries. Apart from that, government provided scholarship for about 9.4 million of schools and college students, as well as fund for teacher's profession allowance in the amount of Rp. 43.1 trillion.

Chart 8: Poverty Reduction Budget

Source: Finance Ministry, BPS

7. Area Development

Area development to enforce economic dispersion is also conducted from Sumatera to the Papua regions, as described below:

- Sumatera Region

  Gini coefficient value of Sumatera region tends to increase.

In 2012, Gini coefficient value of Sumatera reached 0.35 or increased in comparison to the 2009 Gini coefficient value of 0.31. The increase is often indicated as a sign of a wider gap between households' income. However, as a note, the increase of Gini ratio also indicated industry expansion that provides space for skilled workers and affected increasingly wider income gap against non-skilled workers. Therefore, the increasing Gini ratio in certain conditions can be understood as development expansion transition *phase*. Whereas as part of GDP National formation role, Sumatera region ranks second place with national GDP formation portion of 23.77 percent.

- Java Region

  Gini coefficient value in Java region has a tendency to increase. In 2012, Gini coefficient value of Java region reached 0.39 or increase in comparison with the 2009 Gini coefficient value of 0.35. Java region still ranks first with portion of national GDP formation of 57.63 percent.

- Kalimantan Region

  Gini coefficient value of Kalimantan region has an increasing trend. In 2012 Kalimantan region's Gini coefficient value reached 0.36 or increased in comparison the with 2009 Gini coefficient value of 0.33. Kalimantan region ranks with portion of national GDP formation of 9.3 percent.

- Bali-East Nusa Tenggara Region

Gini coefficient value of Bali-ENT has an increasing trend. In 2012, Gini coefficient value of Bali-ENT region reached 0.38 or increasing in comparison with the 2009 Gini coefficient value of 0.34. Bali-ENT region ranks second smallest with national GDP formation at 2.51 percent.

- Sulawesi Region

  Gini coefficient value of Sulawesi region has an increasing trend. In 2012, Gini coefficient value of Sumatera region reached 0.4 or increasing in comparison with the 2009 Gini coefficient value of 0.34. Sulawesi region ranks fourth with portion of national GDP formation at 4.73 percent.

- Papua Region

  Gini coefficient value of Papua region has increasing trend. In 2012, Gini coefficient value of Papua region reached 0.4 or increasing in comparison with the 2009 Gini coefficient value of 0.34. Papua region ranks the last with portion of national GDP formation at 2.06 percent.

2014-2019 Projection

Closing the 21st century, Indonesia emerged as a middle-income country, economically strong, politically steady, and more confident. Over the last decade, Indonesian fiscal and political system has experienced transformation. Although rarely mentioned, Indonesia is also experiencing basic demography and geography shifts. Currently, Indonesia is an urban country since more than 50 percent of the

population lives in urban areas. In the next five years, Indonesia's population would reach 270 million people, 60 percent of whom lives in urban areas. At the same time, there would be a decrease in fertility level and a sharp increase in elderly population number, that would make Indonesia keeps benefiting from the 'Demography Bonus' in the coming decade because working age population increases relative to other population groups.

In 2020, it is predicted that young population at age 15-24 years would reach 50-60 percent. This would be an advantage if the young population has skills and are employed. Otherwise, unemployment would certainly be a disaster. In order to make young population growth our cutting edge, it is necessary to think about jobs provision strategy. Population condition in developed countries provides an excellent opportunity for Indonesia as jobs provision alternative. According to ILO, in the coming decade the population growth of developed countries especially Europe, North America, East Asia and Australia would experience stagnation, where elderly population increases to 50-60 percent. They would lack young workers. This is an opportunity for our young population.

So far, some industrialized countries like Germany has started taking steps to deal with the impact of such condition, for example by sending delegation to Indonesia for possibility of national workers deployment there. Similar condition has been experienced by Japan and South Korea Since the last few years the two Asian countries have opened opportunitles for Indonesia to send young workers, either to work in industry or nursing. In the last five years, other developed countries are predicted to do the similar thing. In general, Indonesia

can make the most of job opportunity by providing skilled workers to fill the job market in industry and health sectors. Therefore, development of workforce service industry 'road map' by creating conducive business environment, development of migrant workers quality improvement system, and migrant workers market share improvement are necessary.

"In 2020, the estimated number of youths ranging 15-24 years will reach 50-60 percent. This will be a blessing if they are equipped with skills and jobs. Nevertheless, this will be a disaster if they were unemployed. "

If Indonesia is able to continue macroeconomic foundation and political stability development that have been established as well as accelerate growth while ensuring equitable and sustainable growth, Indonesia has the potential to become a dynamic, competitive and inclusive middle-income country in the next decade. However, to achieve Indonesian development vision and mission, many things need to be done. Growth needs to be maintained to stay positive and strong. Conducive infrastructure development and investment environment become high economic growth pendulum.

With the background of strong fiscal position, Indonesia's opportunity in the next five years is very extensive to overcome a number of challenges in the coming years. Democratization and decentralization fundamentally have changed the structure of government accountability and decision-making. The changes highlight systemic weakness in process and capacity for policy formulation and implementation as well as reformation implementation process

becomes challenging and time consuming. Government effectiveness is limited by inadequate capacity and accountability of civil servants and coordination problem in the government. Thus, capacity building and improvement of state apparatus especially in areas become serious concern to make national development in the next five years conducive.

Table 1: 2014-2019 Indonesia Projection*

INDICATORS	UNIT	2014	2015	2016	2017	2018	2019
Number of Populations	Million lives	253	257	260	263	266	270
GDP	Billion USD	1,150	1,220	1,332	1,451	1,538	1,631
GDP Growth	%	5.8-6.1	6.2-6.5	6.2-6.5	6.5-7.0	6.8-7.2	6.8-7.2
GDP per capita	USD	4,270	4,750	5,200	5,850	6,380	6,950
Gini Coefficient	%	0.4	0.39	0.39	0.36	0.35	0.35
Inflation	%	5.5-6	4.5-5.5	4- 5	4- 5	4- 5	4- 5
Foreign Exchange Reserves	Billion USD	103	115	125	145	175	210
Poverty	%	9.5-10.5	8.0- 8.5	7.0-7.5	6.0-6.5	5.0-5.5	4.0-4.5
Open Unemployment	%	4.5	3.9	3.3	2.7	2.1	1.5-1.8
Electrification Ratio	%	80	83	85	90	93	95

*) Assumption: global downturn due to US economic stimulus cut, European Zone Stagnation (in recovery process), China economic expansion, remained high volatility of energy and food commodities, remained high domestic consumption, transaction deficit run on relatively maintained level, middle-economic class grow according to projection, and infrastructure development in line with MP3EI plan.

Certainly, 2014-2019 Indonesian development period would not be separated from global economic integration or linkage. Economic linkage among countries and among regions becomes inevitable reality and demand for each country to prepare their economic development policy and strategy amidst the linkage conditions. Global economic integration gets more crucial when countries in regions of Asia, Europe, Africa and US continue to encourage region unification establishment in overcoming macroeconomic stability in encouraging quality global growth.

The period of 2014-2019 is the third period of national medium-term development phase until 2015. Thus, the elected president in 2014 general election needs to pay attention to sustainability and improvement principles while formulating the vision, mission and program of national economic development that will be pursued later. *Path-dependency* should be put forward, since the next process would be mostly determined by the former process. Positive achievements to date needs to be continued and even improved in the next period.

The 2014-2019 Indonesian economic vision is closely related to the national long-term development plan with phased development construction, i.e. five-yearly development or medium-term until 2025 that is expected can be Indonesian launch basis toward big country. In the long-term design, there are eight development directions that can be described further, as follows:

a. The establishment of noble, moral, ethical, cultured and civilized Indonesian society, characterized by: *First,* realization of strong, competitive, noble and moral national characters based upon

the Pancasila philosophy. This philosophy is characterized by human nature and behavior as well as Indonesian society that is religious, virtuous, tolerant, patriotic spirit, dynamic developing, and science & technology oriented. *Second,* more consolidated nation culture reflected in the increase of Indonesian people civilization, propriety and dignity, as well as stronger nation's identity and personality.

b. The establishment of nation with competitive power for more thriving and prosperous community, as indicated by the following: *First*, quality and sustainable economic growth so that the per capita income by 2025 reached equivalent to middle-income countries, with open unemployment level is not more than 5 percent and number of poor people is not more than 5 percent.

   Second, an increase in human resource quality, including the role of women in development. In general, Indonesian human resource quality increase is indicated by increase in human development index (HDI) and gender development index (GDI), as well as population grows in balance achievement. *Third,* developed economic structure that is strongly based on the competitive advantages in various areas of Indonesia. In the broad sense, agricultural sector and mining become the basis of economic activity that is managed efficiently thus produced quality commodity, manufacture industry with global competitive power, economic motor force, and services whose role is increasing with more qualified and competitive quality of services.

   Fourth, compiled reliable and integrated linkage of infrastructure

network with one another. Fulfilled reliable and efficient electricity supply according to need, including almost entirely household and rural electrifications can be met. The operation of efficient and modern postal and telematics to create Indonesian information society. The realization of water resources conservation that is able to maintain the sustainability of water resources function, *Fifth,* increase in professionalism of central and regional state apparatus to create good governance, clean, authoritative and accountable, as well as professionals who are able to support national development.

c. The establishment of democratic Indonesia, based on law and justice, indicated by the followings: *First,* the creation of law supremacy and human rights enforcement based on Pancasila and the 1945 Constitution of Republic Indonesia as well as national law system that reflects truth, justice, accommodating, and aspiring. The realization of law enforcement regardless of position, ranks, and societal class of a person for the sake of law supremacy and realization of respect for human rights. *Second,* creating constitutional base to strengthen democratic institution.

   Third, strong civil society and political party role in politics. *Fourth,* consolidated democracy values institutionalization that emphasizes on tolerance, non-discrimination and partnership values. *Fifth,* fulfillment of democracy consolidation in various aspects of politics that can be measured by the presence of law based government, neutral and professional bureaucracy, self reliant civil society, political society and economic society, as well as national self sufficiency.

d. The fulfillment of a sense of security and peace for all people and perpetuation of Unitary Republic of Indonesia territorial integrity and national sovereignty from threats either domestic and foreign, is indicated by the followings: *First,* realization of national security that guarantees human dignity, citizens safety, and territorial integrity from threats and disturbance to defense and security, either foreign and domestic.

Second, professional Indonesian military, strong reserve components and defense support especially community's state defense supported by reliable defense industry. *Third,* professional Indonesian police, strong community participation in effective security, intelligence and counter-intelligence, as well as consolidated coordination between defense and security institutions.

e. The establishment of equal and equitable is indicated by the followings: *First,* more equitable development level to all areas is fulfilled by increasing in life quality and community well-being, including reduced inter-regions disparity in terms of Unitary Republic of Indonesia. *Second,* self-reliance in food can be maintained at a secure level and in adequate nutrition quality as well as availability of food security instrument for household level.

Third, fulfillment of residential need that is completed with infrastructure and support facilities for all communities that is supported by long-term housing finance system that is sustainable, efficient, and accountable for realization of urban and

rural environments according to good, sustainable life that is able to provide added value for the community.

f. The establishment of lush and sustainable Indonesia, is indicated by the followings: *First,* better management and utilization of natural resources and preservation of environmental function that are reflected by maintained function, support system and recovery capacity in supporting social and economic life quality in harmony, balanced and sustainable. *Second,* preservation of species diversity and natural resources distinctiveness to meet added value, national competitiveness, as well as national development capital. *Third,* increase in community awareness, mental attitude, and behavior in managing natural resources and preserving environmental function to maintain life comfort and quality.

g. The establishment of Indonesia as an archipelago country that is self-reliant, advanced, strong and based upon national interests that is indicated by the followings: *First,* the establishment of infrastructures and facilities network as the glue for all islands in Indonesian archipelago. *Second,* increased and strengthened human resources in the marine that is supported by science and technology development. *Third,* the perseverance of the Unitary Republic of Indonesia regions, assets, and others related to state defense frame. *Fourth,* the establishment of integrated marine economic by optimizing marine resources in sustainable manner. *Fifth*, less coastal and marine pollution disaster impacts.

h. The establishment of increasing role of Indonesia in international

community, is indicated by the followings: *First,* strengthen and promote national identity as democratic country in the international community *Second*, restore strategic roles of Indonesia as big democratic country that is indicated by diplomatic success in international environments in an effort to maintain national security, territorial integrity, and safeguarding national natural resources. *Third,* increase leadership and Indonesian contribution to various international cooperation in order to meet a more equitable and peace world's order. *Fourth,* realize national self-reliance in global constellation. *Fifth*, increase in investments of Indonesian companies abroad.

2014-2019 Development Challenge

Indonesian economy in the next five year period would be characterized by free trade with other countries along with the establishment of Asean Economic Community (AEC) by 2015. AEC would provide positive and negative influences for economic of South East Asia countries. The positive impact is related to fluent outflow of resources between countries in this region. Besides, decrease in trade restriction would also create improved trade volume and relatively lower prices for goods. The negative impact for the region is systemic risk: crisis that happens in a country would provide significant *contagion effect* for other countries in the region.

Reflecting from what has happened in European Union, inter-states economic disparity in a certain joint economic region also has negative potential. Although the purpose is to bring joint interests, in the end

each state has their own interests. Thus, MEA does not necessarily eliminate the inter-state friction. An economic region usually would bring big impact to state with big economic domination in the region, such as European Union that relatively provides more benefits for Germany and France.

Indonesia is not quite ready as a key player in MEA despite having big resources, both natural and human resources. Lagging in productivity and infrastructure, made Indonesia only as a market for other countries. Indonesian non oil and gas trade balance with other countries in this region also remained deficit. In 2012, to Thailand, Singapore and Malaysia, Indonesia was respectively experiencing deficit of 721 million US dollars, 707 million US dollars and 511 million US dollars. Indonesia recorded trade deficit to Vietnam of 157 million US dollars. Even Brunei Darussalam forced Indonesia to be in deficit of 281 million US dollars. In such position, Indonesia's title as biggest economic power in South East Asia region became meaningless.

Free trade system along with the formation of ASEAN Economic Community and working forums in economic cooperation with other countries in Asia Pacific region, becomes an opportunity as well as a threat for Indonesian economy in 2014-2019. Indonesian preparedness to face the new economic era becomes the key on how big the phenomenon can be optimized into opportunity. Indonesia has a number of economic strengths that enable relatively good achievement among developing countries so far, even though falling even more behind neighboring countries, such as Thailand, Malaysia and let alone Singapore.

There are at least four critical points that need to be addressed in the Indonesian economy from 2014 to 2019. Those four critical points are food security, energy security, industrial development, and infrastructure development.

One of Indonesian important economic capitals is an abundance of natural resources, either in the form of oil and gas, mining products and minerals, forestry resources, marine resources, and vegetable matter. Many countries optimized their natural resources to transform from 'developing country' to developed country. This is shown for instance by Norway that used to be the poorest country in the Scandinavian region, thatturnied into the most prosperous country in the world with Human Development Index at the first rank. Their money from oil was not entirely spent on state budget revenues, but fully invested in future generations' benefit. The biggest opportunity for Indonesia is to take similar steps as Norway has gone, since our natural resources supply are relatively still in plenty in comparison to other countries.

The large domestic market is also one of Indonesian economic strengths. With large domestic market, Indonesian economic was not really affected by the ongoing European region crisis that happened until 2014. Such a condition to which some communities criticized as similar to economic of subsistent traditional community, unaffected by its surrounding economic market. Nonetheless, this domestic market power can be used to invite investment that would deliver employment and bigger economic turnover. The problem is, the presence of investment also needs a number of prerequisites

like infrastructure, legal assurance, as well as support from clean and efficient bureaucracy, has not been completely met by Indonesia. Therefore, foreign capital flow entered Indonesia more as market capital than as investment in real sector.

Other strength in Indonesian economy is consistency of the financial authority in maintaining a conducive macro environment. The consistency has relatively been tested for 15 years post 1998 Monetary Crisis. Since then, Indonesian economic continues to increase significantly from various above-mentioned aspects, such as growth, foreign exchange increase, fiscal management, up to poverty reduction and wider provision of social insurance. The downturn of Rupiah exchange value in 2013 becomes one of the touchstones of Indonesian economic policy durability towards susceptibility in various aspects that would always grow.

In addition to dealing with future opportunity and threat, three major economic powers –i.e. abundant natural resources, large domestic market and consistency of economic policy authorities— are also managing critical points that become Indonesian economic weakness. There are at least four critical points that need to be addressed in 2014-2019 Indonesian economic. The four critical points are food security, energy security, industrial development and infrastructure development.

1. Food Security

Food security is a latent problem in Indonesian economy. In the beginning of 1980s period, Indonesia had won an award from Food

and Agriculture Organization (FAO) for a success in achieving 'self-sufficiency in rice' as staple food for people. However, the 'self-sufficiency' also delivered long implication in the form of staple food standardization that originally was diverse like corn, cassava, and sago became rice only. Moreover, food is no longer limited as the fulfillment of staple food but also includes the need for meat and fruits that dependent mainly on imports.

Soybean crisis and meat import in 2012 and 2013 not only have implication in economy, but also in social and political spheres. There is a shift also in regards to staple food by increase in consumption of wheat product. Economic policy cannot be blind to the food aspect by simply passing to market mechanism. Thailand is able to manage the food aspect into one of their economic powers along with tourism, as well as automotive and computer industries. Thailand even masters the poultry industry and cattle related experts in Indonesia. Advance food industry, as a whole would determine the welfare of farmers that until now is still largest workforce in Indonesia.

2. Energy Security

The biggest obstacle to Indonesian economic progress in catching up the deterioration from developed countries is limited energy supply. Although seen as abundant in oil and gas, Indonesia currently has become a fuel oil importer country for domestic needs at 1.5 million barrel per day, which would continue to increase to 1.9 million barrel per day by 2019. The need of the community for electricity also remains unmet due to the lack of

newly built power plants. Development of wind power based, ocean currents based, and solar power based energies have yet to be done massively due to economic considerations of the high cost. Geothermal energy and vegetable oil fuels have not really developed, let alone Nuclear Power Plant (NPP) that becomes the pedestal for energy supply of all industrial countries. The lowest in South East Asia with electricity consumption level, it is difficult for Indonesia to achieve economic progress significantly in the future. (see next chapter: "*Building a Strong Indonesia*")

3. Industrial Development

The weakness of national industry is realized by Indonesian economic authorities. The weakness positioned Indonesia more as a market rather than an actor in global economic system. In order to address the weakness, government has launched program of Master Plan for Acceleration and Expansion of Indonesian Economic Development (MPAEIED) by establishing six economic corridors. Through the program, domestic industrial development or 'down-streaming' with infrastructure development support is expected to be achieved.

Report on the implementation of MPAEIED program so far mentioned good performance. It is indicated for example by total investment at Rp. 647 trillion on 240 projects, both in real sector and in infrastructure development for two years since the program was launched on 27 May 2011. The growth indeed strengthened optimism toward Indonesian economic performance improvement in general. However, it needs to be

further examined, whether or not the program is able to build foundation for Indonesian industrialization as other countries that have proved success in managing their industrial foundation such as South Korea.

4. Infrastructure Development

The Government in 2009-2014 also has realized the need for a good infrastructure development. That has been included in the MPAEIED that is considered as the country's mainstay program for Indonesian economic progress in 2014-2019 and the following period. The development of railroad network, road, airport, port, electricity network, telecommunication network, and up to industrial regions are necessities. Fiber optical network development plan that supports Information Technology based economy development would even reach geographically difficult areas like Papua.

In general, the infrastructure development plan can be relied to be achieved given its invisibility. However, it is still necessary to examine together the development as a whole according to the needs of Indonesia in the future. The existence of double railroad tracks for train along the highways of Java and Sumatera, as well as in some areas in Kalimantan and Sulawesi are necessities. Similarly, infrastructures related to national energy supply fulfillment such as electricity, urban gas pipelines, gas and oil refineries in adequate numbers as well as nuclear power plant to support industrial growth. Infrastructures development in relation to urban development has also been in urgent situation. All need careful political economy consideration.

Challenges in 2014-2019 Indonesian economic development are not easy. The challenges are not only to achieve the established targets but also to break through obstacle that is called as 'middle income trap' or middle-income country trap. World economists believed that the steps middle-income country to become developed country are not easy because of the abstract trap. Very little countries were able to break through the trap, one of whom was South Korea in 1980s era. Indonesia must be able to break through the trap and 'take off' before 2025 in order to not lose momentum. The success in dealing with above-mentioned four critical aspects is one of the keys.

Apart from that, there are other aspects that need to be examined so the projection by the end of the next five years period is able to be achieved, among which political stability in relation to democracy implementation. Success of 2014 Legislative General Election and Presidential Election would become the initial determinant of how politic is able to contribute toward economic progress. The achievement of clean, effective and efficient bureaucracy as product of Bureaucracy Reformation would also play important role in achieving established economic targets. Similarly, certainty and enforcement of law directly affect investment rate.

Linkage that is not less important than economic development is quality of education that is urgent quality of workforce, whom supports the progress of economy. Failure in education would change 'Bonus Demography' into 'Disaster Demography' that would burden economy. Critical time for educational quality improvement is 2014-2019 as initial phase of 'Bonus Demography' time. Population and environmental developments also become critical point whether or

not Indonesian economy is able to move forward to be a developed country. Are population and environmental aspects able to boost Indonesian economic growth or would become burden instead?

Overview and Recommendation

2019 Indonesian economic projection in relation to long-term development plan can be seen as very optimistic or ambitious projection. As mentioned above, level of income per capita that wants to be achieved by Indonesia is 6.950 US dollars with equalization rate as indicated by Gini coefficient at 0.35. By then, the expected poverty rate is around 4-5 percents of total population, with electrification rate or connectivity to electricity at 85 percents. All achievements are expected to be achieved when Indonesia bears 270 million populations.

Such optimism is needed because challenges in Indonesian economy are not simple. Indonesia has lost its biggest momentum for taking off due to failure in utilizing 'oil booms' at the end of 1970s until early 1980s. 1998 Reformation momentum also was not utilized enough as basis for building new economy rapidly as consumed by the existing political euphoria. Indonesia's last chance to break through the 'middle income trap' is the period of the next 10-15 years, by optimizing the remaining natural resources and recapitulate cultural resources.

Bad experiences in the past becomes precious lessons learned by Indonesia. In the New Era regime, Indonesian economy had become the biggest economic power in Asia especially during initial of 1980 to early 1990. Economic growth reached the highest at that time,

with the highest economic growth was recorded at 8.9 percents in 1991. Grassroots community experienced relatively good prosperity for its extent. However, all tended to be lulled by success and praises by world's economic observers. Developments of agriculture and industry that started to find their formats were not maintained to grow until finally got standstill when 1997-1998 Monetary Crisis.

After having slumped to minus 13 percent growth, inflation reaching 70 percents, poverty number reaching 24 percents, Indonesian economy slowly rose and recorded average growth at above 5 percents, and was again praised by a number of international observers. Meanwhile, world economy was still at uncertainty because US was still in recovery process after *sub-prime mortgage* crisis in 2008 and much less 2013 fiscal crisis. Whereas Europe has yet to find proper medication for their 'fever' in the last two years. In the midst of such circumstances, there are at least three urgent things to do for economic development in the period of 2014-2019.

First, post-reformation Indonesian economic progress has pulled world investors both in financial-capital market and real sector. Challenges in 2014-2019 in relation to this are: (a) continue to increase local business world to compete and take bigger role to utilize domestic market. Entrepreneurship movement and stimulus toward local businessman that are being done needs to be intensified. (b) The swift flow of foreign investment in financial market and capital market make Indonesia more integrated and sensitive to global economic issue. This is lately reflected by the impact of policy in the US affects composite stock price index and Rupiah exchange rate. Speed in policymaking, careful fiscal policy, fiscal-monetary

authorities coordination as well as maintain and improve economy fundamental are basic principle that need to be done constantly. Moreover, world economy-politic-technology in the next five years would be more difficult to predict and the affect to Indonesian economy requires precautions and speed to answer collectively.

Second, domestic challenge in economic development is to keep realizing more prosperous, advance, equitable and fair Indonesian community. Therefore, sustainable development balance between aim and ecological-social-motives also needs to be formulated. On fiscal side, keep increasing state income source from taxes and non-tax is also important to reduce fiscal deficit. A number of critical aspects for Indonesian economy in the future such as food security needs to become a priority, either agricultural and fishery development. Sustainable potential in marine fishery resources at 6.6 million tons per year until now has yet to be optimally explored, even often be stolen by fisherman from neighboring countries until they become the biggest fish exporters.

Energy security needs to be a priority of 2014-2019 Economic Development given energy is key factor for Indonesia whether or not progress into developed country. Development of oil refinery, gas pipelines, and new power plant for electricity are urgent along with development of vegetable oil fuels. At the same time, electricity based on geothermal, ocean currents, and nuclear power plant as used by all industrial countries are important to be developed along with solar power plant that currently is not economical.

Industrial development as has been started through MPAEIED framework that would open 9.6 million employments in 32 major

activities in six corridors needs to be continued. The industrial development is not only to open employment, but also to enable Indonesia as actor instead of merely as a market, at least for domestic market. All big and strong countries are industrial and high-tech countries. The industrial development needs to be supported by connectivity construction in the form of port, airport, road, railroad, telecommunication and other infrastructures.

Third, in the next five years there is important agenda for regional and the world, such as ASEAN Economic Community by December 2015 effective date and implementation of Post-MDGs World Development Agenda that need attention to be put into program and policy in this period. Human resources development (HRD) is necessary because massive economic development surely needs capable and reliable HRD supports. One percent economic development requires 500-600 thousands HRD. Educational sector needs to be strengthened including increasing the number of doctorate graduates. In Indonesia, in every one million of people there are 98 doctorates, whereas in Malaysia of one million people there are 300 doctorates.

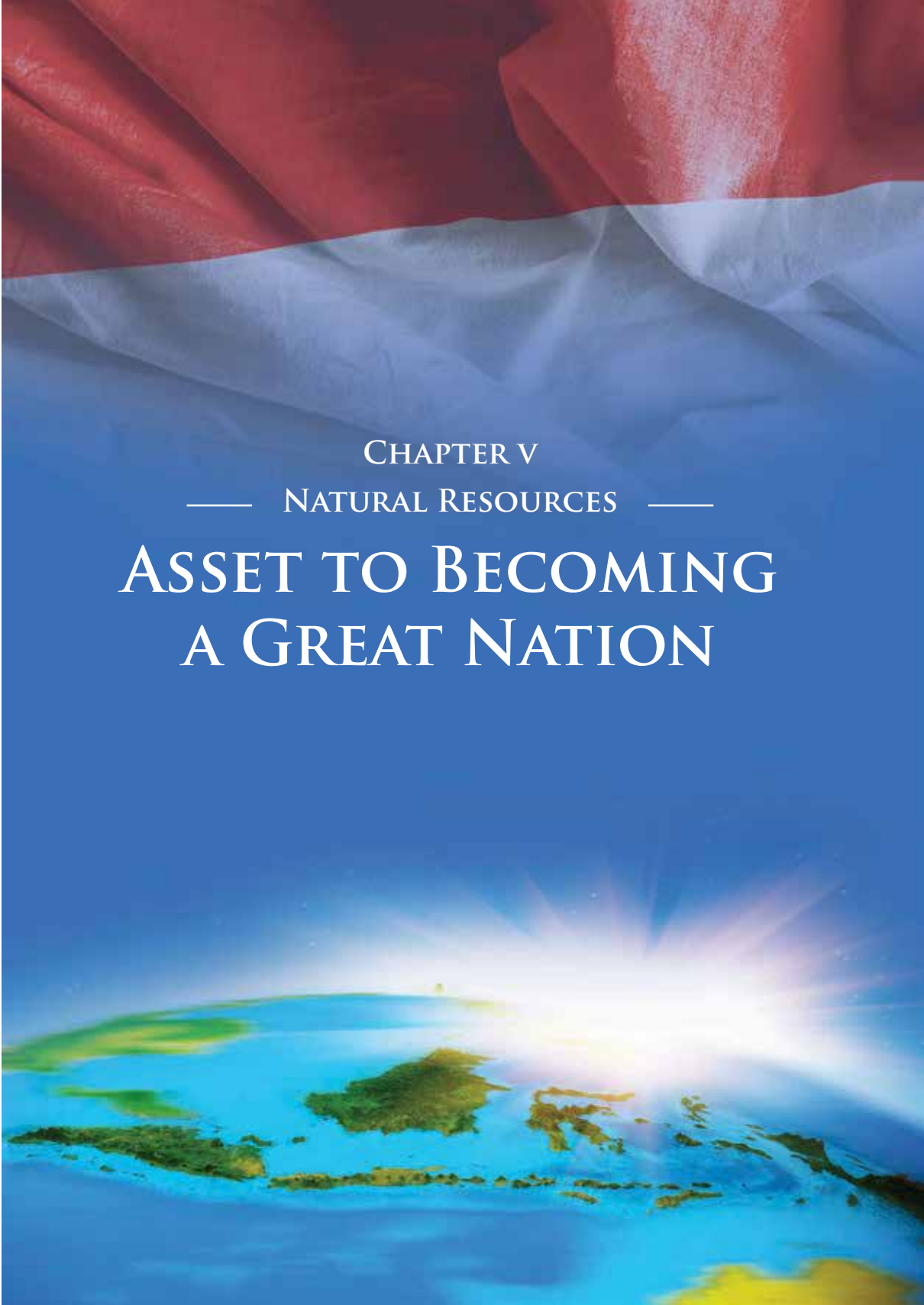
Productivity of workforce to meet the need for skilled workers also needs to be improved. It is about the time for educational direction and orientation to provide development space for Vocational and University. Curriculum design is expected to enable more workforces whom are ready to support the direction of national industry. Besides, industrialization also needs research and study supports not only from universities but also national research agencies. Strategic partnership patterns between University–Research Agency and Industry need to be improved mutually.

Environmental sustainability also needs to become joint concern. Investment flow to Indonesia is expected to be accompanied by preservation of environmental balance and social stability. Investment and industrialization would sustain when keep paying attention to ecological and social environment aspects. Surely that would not only become the responsibility of government but also all stakeholders, including business, private, NGO and community to continue balancing the economic and environmental benefits as well as preservation of social-civic stability.

2014-2019 Indonesian economic challenge is breaking through 6.000 US dollars per capita income level. The value is considered as political stability bottom line through democracy, whereas the stability is also necessary to guarantee economic progress into the next stage. Mix of strategy that is run simultaneously and integrated with each other is indeed necessary. Furthermore, world's economists also reminded that European crisis assures that current theory, concept and economic comprehension are outdated (*obsolete*) to answer real problems. The World no longer needs big economic theories or single approach because it is proved ineffective.

The world needs more learning from real experiences of other countries that are more successful in running their economic development. For Indonesia, among which are learning from Thailand that is able to turn agriculture and fishery as one of their economic cutting edges; learning from South Korea that grows from poor country into strong industrial country; also learning from China that remains humble although in the coming years surely becomes number one economic power replacing US. Chinese economists and officials in unison

always mentioned that China has long way to go to improve the life of all their citizens. Chinese are still far from prosperous in comparison with citizens of many other countries. In the end, the real measure of economic development result is how far the prosperity of all population as shown by their Human Development Index, and not other measures. Sincerity and humility from economic development actors become the key including for this 2014-2019 period.*



Chapter V

Natural Resources

Asset to Becoming a Great Nation

"I leave for you the natural wealth of Indonesia, so that all big countries in the world are jealous of Indonesia, and I leave it so that Indonesia can cultivate it by itself."
~ Soekarno-First President of the Republic of Indonesia ~
photo © Ethan Daniels

Natural Resources

ASSET TO BECOME A GREAT NATION

Indonesia is a country that geologically contains relatively huge potential of natural resources wealth. The problem is whether such natural resources have optimally utilized for the prosperity of the people, or whether they are used more for the benefits of foreign parties. Many countries benefit from the natural resources of Indonesia in developing their economies. Moreover, China which is also the owner of the largest coal supply in the world consciously chooses to import coals and gas fuel as much as possible from Indonesia rather than dredging its own supply.

With a relatively abundant natural resources wealth, Indonesia's economic growth is expected to be higher, even reaching a 'double-digit' growth. Recently, Indonesia's per capita income is approximately USD 3,500, with a relatively high economic growth, namely 5.5%. However, this economic growth is far lower than China and India whose population burdens are higher and whose wealth of natural resources are lower than Indonesia.

Need for Energy and Natural Resources Management

Before projecting the aspect of Indonesia's natural resources for 2014-2019, at least we need to know first the condition of those natural resources and how they are managed all this time. There are at least three fields related to natural resources, namely energy, forestry, and fishery and marine affairs. The three fields can be elaborated as follows:

1. Energy

From the aspect of the fulfillment of electric energy needs, we should be concerned for the recent condition Indonesia is experiencing. In addition to the lack of reliability, such as the frequent blackouts, the Electrification Ration nationally at recent times is also relatively low, which is about 75-80%. Because the electric power supply is still far below the actual needs, the consumption of electric power per capita in Indonesia is also still relatively low, which is only about 1/6 of that of Malaysia and about 1/14 of that of Singapore. Whereas, some of the electricity in Malaysia and Singapore are generated by the gas fuel coming from Natuna and South Sumatra.

Even more, for areas which produce coal and gas energy sources, such as East Kalimantan, the Electrification Ratio is in fact very low. This anomaly in electric power provision, such as what happens in East Kalimantan, can be seen from the numerous power generators using petrol despite being the largest producer of coal and gas in Indonesia.

Table 1. The Comparison of Electric Power Consumptions in Several Countries

COMPARISON OF ELECTRICITY CONSUMPTIONS IN SEVERAL COUNTRIES

No.	Country	Population (Million Lives)	Generator (BillionkWh)	GDP/ Capita	Electricty per Capita (kWh/Capita)
1	United States	307,2	4.167,0	46.300	13.654
2	China	1.340,0	3.256,0	4.900	2.455
3	Japan	127,1	1.195,0	33.400	8.071
4	Russia	140,0	1.016,0	14.000	6.435
5	Canada	33,5	612,6	38.700	17.061
6	Malaysia	25,7	102,9	14.200	3.490
7	Singapore	4,6	41,1	48.500	8.185
8	Thailand	65,9	148,4	7.900	2.079
9	South Korea	48,5	440,0	25.800	8.853
10	Indonesia	240,3	142,4	3.500	591
11	The Philippines	97,9	56,5	3.100	588

Source: The National Board of Energy (DEN)

Since the elasticity of the price of electric power towards its consumption, its absolute value, is smaller than one and it is in fact not elastic towards the price, the impact of the price hike towards the decrease of consumption is relatively minor. This means, since electricity is included in the primary needs, whatever the price is, it will still be needed or bought by the society.

Meanwhile, in terms of petrol, long queues of consumers trying to purchase petrol still occur frequently, mainly because of the supply is limited by terms of quota. This is related to the policy of petrol price which is very much influenced by political considerations. The drop of crude oil production along with the stagnancy of the capacity of the national petrol refineries amid the increase of petrol consumption have led this nation to become one of the largest oil-and-gas importer countries in Asia. In the last five years, the Government through the Downstream Regulatory Agency Committee on Oil and Gas (BPH Migas) has repeatedly poured the ideas on bringing down the petrol consumption and subsidy, starting from the idea to limit the consumption based on the manufacturing year of the vehicles up to the volume size of the engine of the vehicles. The latest idea recently applied is by installing the Radio Frequency Identification (RFID) device in every vehicle to monitor and ration petrol consumption of every vehicle.

In the next five years, changes in policy are necessary to reduce fuel consumption and subsidies in rational, comprehensive manner without negative impacts on inflation and economic growth.

In the next five years, a policy change needs to be done so that the reducing of petrol consumption and subsidy can be implemented rationally, comprehensively, and will not result in negative impacts on inflation and economic growth. Another change to do is the method

of calculating the quantity of the petrol subsidy, which all this time refers to the market price. This needs to be changed by referring to the concept of "Petrol Main Cost" so that it will not violate the constitutions and be in line with the conventional practices in the business world.

Because the domestic crude oil production keeps on decreasing and the capacity of the petrol refineries is stagnant amid the increasing consumption of petrol due to economic growth and the rising amount of population, crude oil and petrol imports keeps on increasing. Indonesia is significantly dependent on imported energies (crude oil and petrol). Indonesia's energy security recently has been in a very much worrisome condition because of its dependence on imported energies.

Different from oil, Indonesia's gas production is still relatively massive. However, within the country, shortages of gas supply until now are still experienced by those working in industries, fertilizer factories, power plants, and the transportation sector. This wrong gas management is shown by the fact that at the time the domestic consumers are experiencing lack of gas supply, gas export is in fact done in a massive way because Indonesia has been bound by a long-term selling contract.

In addition, some of the exported gas, namely from Papua to China, follows a selling price formula that is really disadvantageous for Indonesia, since it uses the low crude oil price standard, USD 25/bbls, which is then altered into USD 38/bbls for long-term contract (25 years). The selling price of gas for China is far below

the gas price paid by fertilizer factories. The loss potential from the gas selling from Tangguh Papua to China is about IDR 30 trillions/year.

Meanwhile, the need for energy in terms of household use, which was previously fulfilled by kerosene, has now been successfully transferred to LPG and this has been successful in economizing kerosene subsidy significantly. However, since the domestic production of LPG cannot balance the increase of demand, as its result more than 50% of the national LPG need has to be imported. In the next five years, the establishment of the gas pipeline system infrastructure will have to be started already, mainly in big cities, to reduce the dependency on imported LPG.

One of the causes for the lack of gas supply for domestic consumers, whereas the national gas production is relatively significant, is the lack of gas infrastructure. The State's Gas Company (PGN), which is responsible for fulfilling the domestic gas consumption, has been privatized. The pipeline infrastructure, including the gas pipeline for cities, has less attention from PGN due to the small profit margin. Another cause is the domestic gas trade system is designed by placing the very dominant role of brokers/traders. Traders 'purchase' gas from the producer to be 'sold' to gas consumers.

Even more, PGN, which is supposed to play its role as a provider for infrastructure and pipeline by charging a toll-fee, is now playing another role as trader, which is very much profitable for PGN share holders (most of whom are foreign investors) due

to the large profit 'margin'. However, such system results in the expensive gas price that the domestic gas consumers must pay. The open-access policy for pipelines that is now proposed as a discourse has to open the opportunity for domestic gas consumers to be able to purchase gas directly from the producers without having to pass by the traders so that the domestic gas market can be efficient and the domestic gas price can be pressed, and this will be able to accelerate the national economic growth.

The communities of the world have for so long realized that huge dependency on fossil energy sources, such as oil, gas, and coal, has to be pushed down since fossil fuel sources are non-renewable and less environmentally friendly.

Advanced industrious countries, such as the USA has committed in funding researches on using renewable energies, including solar, wind, and biofuel energies. So far, renewable energies have been made use mostly for electric power source, such as solar, wind, and geothermal energies.

In the transportation sector, this type of energy has been used in terms of ethanol mixed into petrol and biodiesel mixed into gas oil. However, its role in the energy mix of the world is relatively very small, namely only about 1.3% per 2012. Renewable energies have not replaced fossil energies, especially petrol, because their production costs are higher than those of petrol. After the production of the world's oil reaches its culminating point, which is predicted to happen in 2050s, then the role of renewable energies has a chance to start to dominate the world's energy mix.

Different from the renewable energies, new energy, especially nuclear energy, has already been used as a raw material for electricity. The data show that the role of nuclear energy in the world's energy mix is relatively stable, about 5-6% in the last three decades. Though there have been several nuclear plant accidents, such as those happening in Three Mile Island, Pennsylvania, USA (1979), Chernobyl Russia (1986), and Fukushima Japan (2011), electric power supply coming from nuclear plants is relatively stable and quite dominant.

According to the data from Electricity Information and International Energy Agency (IEA), the role of Nuclear Plant for the world's electricity production is about 13.4% (as for electricity from coal, gas, water, petrol, and Renewable Energies, the percentages are respectively as follows: 40.8%; 21.3%; 16.2%; 5.5%; and 2.8%). Countries which are recently using nuclear plants are, among others: France, the United States of America, Japan, South Korea, Russia, Germany, Canada, Sweden, Belgium, Swiss, Czech Republic, Slovakia, Hungary, England, Spain, Finland, Dutch, Argentina, Brazil, Pakistan, and China.

By considering the public attention towards the aspect of safety, recently there are about 50 new nuclear plants being built all over the world and start to operate between 2013-2017. These under-construction nuclear plants, among others, are in: India, China, Korea, Russia, Argentina, Slovakia, Taiwan, USA, France, Japan, Romania, Pakistan, and Iran. Since the time of President Soekarno, Indonesia has had thought about using nuclear as an

alternative for energy production. This is indicated by the forming of the National Nuclear Energy Agency (BATAN). However, until now there has been no serious effort to make use of such a scientific advancement as nuclear energy.

2. Forestry

Indonesia owns more than 130 million hectares of forest, which is the third largest tropical forest after Brazil and the Democratic Republic of Congo. It is too naive to let this abundance of forest resources potential in this country be without management that can give as much benefit as possible for the prosperity of the people. Forestry sector has a very important and strategic position in the national development because it plays vital and irreplaceable roles, namely: as a buffer of life system and a determining factor of climate change, as a motor that drives the economy, as an opener of areal isolation, and as a means to create employment.

Forest ecosystem has a crucial role as the buffer of life system. Deforestation and forest degradation will cause damage to the life system buffer, which will result in the occurrence of various disasters, such as flood, landslide, erosion, and drought. Deforestation can happen because of, first of all, natural factors, for instances: dry weather and extreme heat, thunder, pest attack and disease. Secondly, human factor, such as illegal logging, encroachment, and uncontrolled burning in land opening for farms and plantations. Forest fire can be a very serious problem because the impact is not only national-scale, but also transnational-

scaled. Forest fire issue becomes international concern because it is related to carbon emission, which is allegedly the factor causing the global climate change.

> The forestry sector has a strategic role in the implementation of the Triple Track Strategy of the national economic development, with pro-growth, pro-poor and pro-employment orientation, but still taking account of environmental aspects (pro-environment).

In the last decade, the problem of climate change becomes a strategic issue that penetrates state boundaries. The increase of green house emission is believed to be the cause of the increase of the earth's temperature. The end of the Kyoto Protocol has shifted the issue of the cause of global warming from the advanced industrious countries which produce much of the emission from the chimneys of their industries to forest owner developing countries. Forest degradation and deforestation are increasingly accused as the source of emission, while industrial emission becomes more and more silent. The direction of the constellation of the global economy politics has determined that forest is the fighting arena for climate change issue. Inevitably, the demand on preserved forest management becomes louder.

Timber use from the sustainable forest management is one of the most environment-friendly activities that should be supported. Timber use for daily needs is obviously far more environment friendly compared to the use of plastics or metals. More than

that, the trend of timber use will give a positive signal to business actors to conduct forest management in a more sustainable manner. Thus, the policy of logging moratorium that is unfocused is not only conceptually wrong, but also socially, economically, and environmentally dangerous.

One of the important functions of the forest in the climate system is its central role as the regulator of carbon cycle. In the carbon cycle, forest plays a role in the process of carbon sequestration and carbon stocking. Different from the public perception which sees negatively the management of production forest, if observed cautiously the management of production forest in fact has the potential to become one of the effective mechanisms in the efforts of reducing carbon emission. Therefore, the scheme of the sustainable forest management (SFM) in production forest through the mechanism of Indonesian Selective Cutting and Planting System (TPTI), Intensive Indonesian Selective Cutting and Planting System (TPTI Intensif), Clear Cutting with Artificial Regeneration (THPB), Silviculture Multi System (MSS) and various other supporting systems, such as the RIL (Reduced Impact Logging), have to be driven to become an inseparable part of the reduction scheme of emission from deforestation and forest degradation. The Indonesian government has the commitment to reduce its emission up to 26% in 2020 by its own ability and up to 41% with international supports. In this context, forestry sector bears the responsibility for pressing down the emission more than 87% or the total national target of emission decreasing (Stranas REDD+ 2012; Ridwan 2012).

Forestry sector has a strategic role in the implementation of the Triple Track Strategy of the development of the national economy, which is oriented to pro-growth, pro-poor, and pro-employment by having consideration on the environmental aspect (being pro-environment). The strategic role of the forestry sector as a driving engine of the economy is not seen in terms of its contribution towards PDB, but in terms of the strong linkages of forestry sector to other economic sectors and its multiplier effects on the output, income, and workforce. Nurrochmat *et al*. (2007) and Nurrochmat and Hasan (2012) emphasize that the forestry sector has a central role in driving the national economy because it has the second largest forwards linkage value of the 21 economic sectors, after agriculture and plantation.

The development of the forestry sector has a real contribution in opening an area's isolation through the activity of Forest Opening conducted by the holders of Forest Concession and Industrial Forest Plantation permits. The contribution of the forestry sector in opening the isolation of a certain area has been felt since the starting of forest concession in a certain area. After the forest concession operational permit is granted, several areas can be connected with a land transportation system coming from the unpaved timber transportation roads. Recently, forest roads in various areas have been paved with asphalt and they have a good quality and many of them have become land lanes connecting areas, both between provinces and between areas.

With the increase of forest concession activity intensifying in the period of 1980 until the mid of 1990, the number of forest

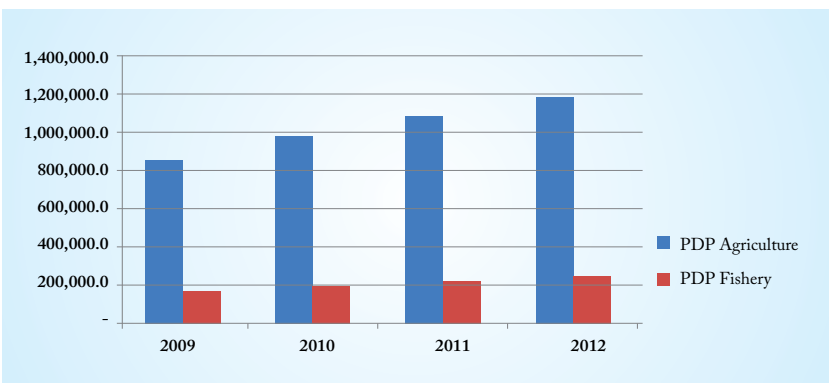
road lanes being established has been increasing too. As its result, the level of area opening (connectivity) between one area with another area around the location of the forest concession is also increasing. Thus, the number of isolated areas around the forest concession location decreases. It is estimated that the total length of forest roads having been built in the area of forest concession in Indonesia until 2008 is 351,960 km, longer than the public roads built by the government, which is 249,094 km until 2006 (Budiaman in Nurrochmat & Hasan, 2012). Therefore, it is clear that, despite all its shortcomings, the existence of Forest Concession and Industrial Forest Plantation companies is important to open up isolated areas in various corners of the archipelago through infrastructure construction.

Workforce absorption in the forestry sector is quite significant and is on the seventh place of all economic sectors. Largest workforce-absorbing sectors, according to the *Sakernas* data: (1) crops 31.7% of the total workforce in Indonesia, (2) trade 17.8%; (3) service 12.5%; (4) plantation 5.6%; (5) transportation 5.1%; (6) construction 4.6%; and (7) forestry and forest industry 4.0% (Statistics Indonesia, 2008). Not far different from the data from Sakernas, Hadianto (2010) stated that of the total new employment created in all economic sectors, the forestry sector contributes 4.7%, or is on the sixth place of all sectors. Meanwhile, the forest industry sector, such as sawn timber industry, contributes 2.9% of the total workforce absorption, pulp industry contributes 1.5% and furniture industry 1.1%.

3. Marine Affairs and Fishery

In the context of fishery development, the total Gross Domestic Product of fishery in 2009 reached IDR 176,620 billions, which then increased to IDR 255,332.3 millions in 2012 (Statistics Indonesia, 2013). Fishery's GDP contribution is relatively dominant compared to other economic sectors in the agriculture field, such as crops, plantation, forestry, and animal breeding.

Graphics 1. The Development of Fishery's GDP Relative to Agriculture's GDP



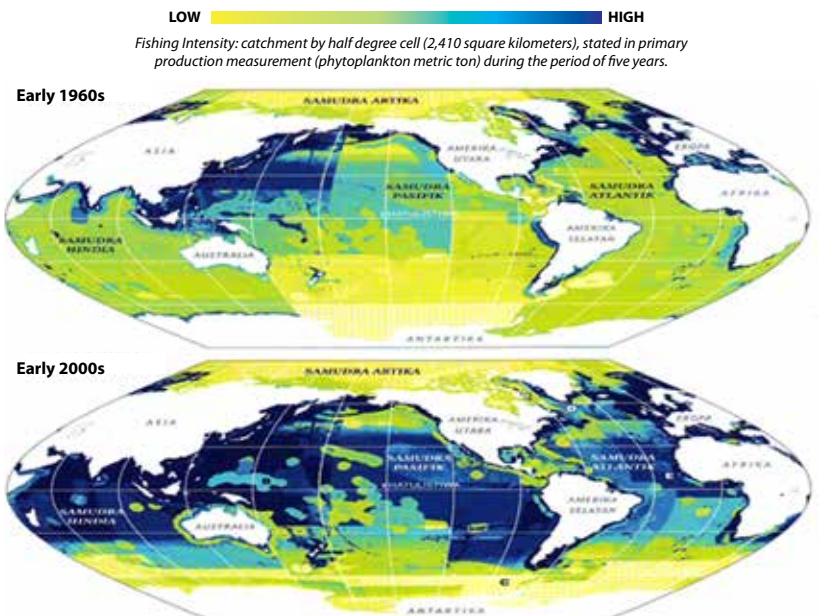
Source: Statistics Indonesia 2013

In general, the intensity of global fishing shows an increase. The picture presented here points out such phenomenon, where in 1960s fishing was still relatively insignificant, marked by the relatively small fishing ground. In the beginning of 2000s, fishing intensity started to increase and threaten the sustainability of fish resources. This needs to be a considered for Indonesia in determining the direction forward regarding fishery development

since, geographically and economically, Indonesia is inseparable from the fisher policy of the world.

Fishing Fields

The opening of new fishing fields half a century agohas resulted in the surgeof world's catchment, along with the deployment of fishing fleets with improved capacities throughout the high seas. Its consequences have been pictured clearly in all seas.


LOW
HIGH
Fishing Intensity: catchment by half degree cell (2,410 square kilometers), stated in primary production measurement (phytoplankton metric ton) during the period of five years.
Early 1960s
Early 2000s
SAMUDRA ARTIKA
SAMUDRA PASIFIK
SAMUDRA ATLANTIK
SAMUDRA HINDIA
AUSTRALIA
ANTARKTIKA
FISHING PATTERNS
A: Southeast Asia
Popularity of sushi has brought very bad impact on tuna supply
B: Exclusive Economic Zone
Inhibiting fishing within 370 km sea distance from the shore of a country.
C: Southern Hemisphere
After fish boats entering Antarctic's water, Chilean snapper supply drastically drained.
D: North Atlantics
The 1,000-year ongoing fishing has resulted in the scarcity of codfish.
E: East Atlantics
European fleets targeting on Africa, resulting in local food crisis.

Source: The Global Fishery Trend (National Geographic, 2012)

In the context of global fisher, Indonesia is an important player, as one of the largest fishery producer countries of the world together with China, Peru, and the United States of America (FAO, 2012). Other countries being the world's fishery producers are India, Russia, Japan, and Norway. The contribution of the fishery

sector of Indonesia reaches 6.1% of the world's total production, and it is still below China (16%) and Peru (8.8%) (FAO, 2013). Since 1970 until 2011, the growth of Indonesia's fishery production has been reaching 5.05% each year.

> Indonesia is a country with one of the most extensive seas in Asia. Optimistically speaking, with an average growth of 7 percent per year, in 2030 the contribution of fisheries and marine sector will be expected to reach US$40 billion (MGI, 2012).

In the contexts of Asia and South East Asia, Indonesia is considered as a country which has the largest marine territory. The optimistic assumption is that, with the average of 7% growth per year, in 2030, the contribution of the fishery and marine affairs sector is expected to be as much as USD 40 billions (MGI, 2012). ASEAN Economic Community (AEC) also becomes one of the momentums the government can benefit from to immediately improve the quality of fishery development starting from today. This is the 'head-to-head' context of the fishery diversity between Indonesia and other countries in ASEAN.

The level of productivity per ships in Indonesia is only 6.7 tons per year; while Thailand is 137.86 tons per year, Vietnam 19.48 tons per year, and Malaysia more than 30 tons per year. In terms of the contribution to the country's GDP, Vietnam reaches 21%, Malaysia 10%, and Thailand 10%; while Indonesia is only 3%. The number of poor people in Indonesia reaches the number

33,768,000 individuals (13%), Vietnam 12,440,000 individuals (5%), China 11,750,700 individuals (5%), the Philippines 11,247,000 (4%), and Myanmar 6,209,340 individuals (2%). Most of them live in the coastal areas.

With the third largest production in the world, fishery in Indonesia should be able to give bigger economic benefits to the society and fishermen, and deliver a significant amount of GDP to the country. Meanwhile, in terms of the production of breeding fishery, Indonesia is also far behind China, India, and Vietnam. The width of all public water lands in Indonesia is approximately 13.85 million hectares, consisting of 0.05 million hectares man-made lake, 1.8 million hectares natural lake, and 12.0 million hectares flood plain. The potential of the total width of public waters, ponds, and rice fields utilized for breeding fishery is 139,336 hectares, 541,100 hectares, and 1,538,379 hectares respectively (DKP, 2007).

In addition, the potential coastal lands for shrimp ponds are as wide as 1.22 million hectares. And only 400,000 hectares of them are worked on, with the average productivity rate 0.6 ton/hectare/year. About 24 million hectares of shallow sea waters are appropriated for the mariculture of various commodities, such as grouper fish, rabbit fish, cobia fish, pearl shellfish, sea cucumber, abalone, and seaweed, which have high economic value, with the production potential at about 47 million tons/year. The production of breeding fishery also shows a very high increase compared to catch fishery. The growth of the fishery sector of Indonesia reaches 15% per year since 1970 until 2011.

In breeding fishery, China contributes up to 61% of the total breeding fishery production of the world, while India 7%, Vietnam 4.5%, Indonesia 4.3%, and Thailand 1.6%. Other countries' production is below one percent of the total breeding fishery production of the world (FAO, 2013). A number of ASEAN countries, such as Vietnam, Thailand, and Malaysia, become competitors in shrimp, *patin*, and catfish commodities coming into Indonesian market.

Future Challenges

Incompetent management of the national oil and gas, mineral and coal resources at this time is a major problem faced by the national energy industry, especially at least during the last three years. This has a direct impact on the weakening of the energy security of this nation. Though geologically this country is so rich in primary energy resources, in a hydrocarbon form (oil, gas, and coal), recently about 50% of the national oil-and-gas needs have to be imported, about 75% of the coal production and 55% of the gas production are exported for a ridiculously cheap price, while domestically the country lacks of gas and electricity supplies.

The challenge against the incompetent management system is shown by such facts as, among others, the extremely low (and continuously decreasing) production of crude oil in the middle of the increase of needs due to economic growth and the increase of population number factors. Whereas, geologically, the potential taking its form as oil and gas resources is extremely immense in the earth of Indonesia. The extremely high price of the world's oil during this more-than-

a-decade period should be able to motivate investment for exploring new reserves, so that Indonesia can maintain the production at 1.5 million bbls/day, or even higher, remembering the development of the upstream sector technology is very much significant. Yet, the fact is oil production is very low.

Though the consumption of petrol keeps on increasing significantly every year, apparently in more than these ten years, the capacity of petrol refineries is relatively stuck at the level of about 1.05 million bbls/day, because the government/Indonesian Oil Company (Pertamina) refuses to build new refineries due to the thin profit 'margin'. Whereas, the capacity of petrol refineries needed, so that in 2013 we are no longer dependant on petrol import, is about 1.6 million bbls/day. This is a profound challenge that needs an immediate solution, to avoid the collapse of the nation's economy whenever disruptions over the flow of petrol importing from outside the country happen. This is because more than 40% of the recent petrol need is depending on foreign parties, especially Singapore.

The low production of crude oil and the stagnant capacity of petrol refineries are heavy challenges, because these will worsen Indonesia's dependency on imported oil and gas. And this will keep on exacerbating the deficit of the national oil and gas trading balance. Meanwhile, the constant shipping of the LNG from Tangguh to China, despite the extremely low price, is a challenge that needs to be solved, so that this country would not suffer too deep a loss. In addition, the fulfillment of domestic need of gas, which can drive economic growth, create employment, reduce primary costs and electricity subsidy, and reduce petrol import and subsidy through the

acceleration of petrol-to-gas conversion should be ensured.

The elusive domestic gas infrastructures, along with the significantly inefficient structure of the gas market, due to the dominant role of the brokers, are challenges that must be resolved. Therefore, domestic gas consumers can acquire sufficient gas and will not be mere 'objects' of the brokers. The stagnancy of petrol-to-gas conversion is also caused, among others, by the insufficient gas infrastructures, so that dependency on petrol is getting tighter, which results in the exacerbation of petrol subsidy. The ever-increasing dependency on imported LPG is a challenge in the next five years. There must be a solution to press down the dependency on imports, among others, by preparing the use of through-pipe natural gas which can be fulfilled by the domestic production.

The challenge for the national electric power policy recently is that the policy regarding primary energy (gas, coal) resources is not harmonious with the national electricity policy. The abundance of gas and coal resources Indonesia has, which are relatively cheap raw materials to produce electricity, in fact are pushed away and exploited completely for exported goods. The government is then 'forced' to use the extremely high-priced and large quantity petrol to produce electric power. With the reason of motivating new and renewable energies, the State Electricity Company (PLN) is forced to buy private electricity (IPP) which is made of geothermal energy, which is also very expensive, far above the selling price used for the society.

The challenge towards the status of the ownership of oil and gas and mining materials reserves is at the same time also a chance to have

a source of funding the development massively in the future. Since the recent management system is not strict enough to regulate the issue on ownership over the reserves beneath the earth, there is a strong indication that foreign oil-and-gas and mining contractors have been using the reserves to borrow money from the banks to fund the expansion of their oil-and-gas/mining fields. Such practice of law and constitution violation is done openly, remembering that until now there is no party, both from the government and the oil-and-gas and mining State-Owned Companies, which has accounted their oil-and-gas reserves asset in their Financial Report.

The challenge from the demand side is how to make the energy consumption of this nation not highly dependent on oil/petrol. Energy diversification set since 1986, especially the petrol-to-gas conversion, is in fact left behind. By paying attention to the aspect of environment and production cost, the development of new and renewable energies must be considered carefully so that the "dig a hole to hide the other one" impression does not appear. The petrol-replacing energy which is more expensive than the petrol itself will only perpetuate energy subsidies which have to be borne by the State's Budget. The geothermal technology has to be driven more so that the electric power it produces will not be too expensive, such as what happens now. Costly electricity infrastructure and fee will also be a hindrance for the 'electric car' program.

The recent management system which is opposed to the constitution is apparently still maintained by the Government. The Upstream Oil and Gas Activity Agency (BP Migas), which was sentenced as violating the Constitution and had been discharged by the Constitutional

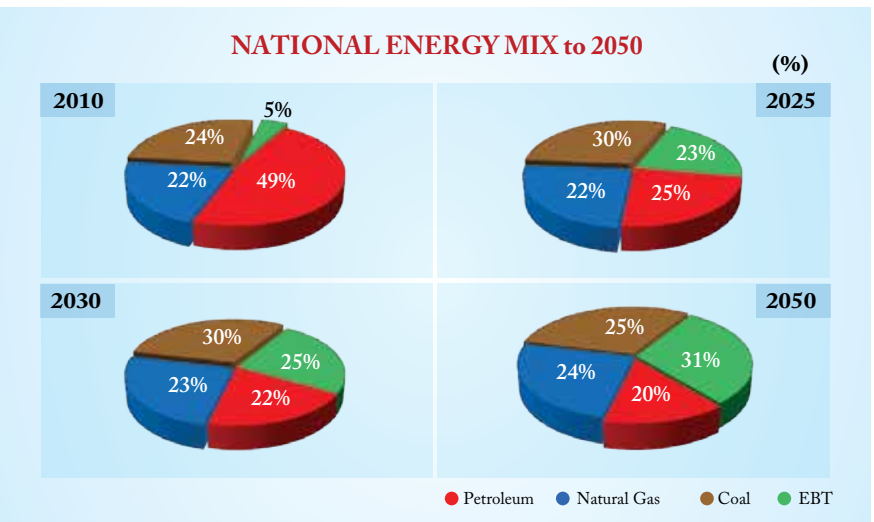
Court of Indonesia based on the MK No.36/PUU-X/2012 decision, is in fact maintained by putting a new cloth to the old body, that is the Special Task Force of the Upstream Oil and Gas Activity (SKK Migas), which is then proven to disadvantage the state. It is because the institutional substance of SKK Migas is the same as BP Migas, namely, both are governmental non-business institutions, so to sell state's share of oil-and-gas it has to appoint a trader. In addition, it cannot also continue the production operation of Oil-and-Gas Blocks whose contracts will expire, including the Mahakam Block, whose contract will end in 2017, and following after, other large Blocks, such as Rokan Block, whose crude oil production is the largest in Indonesia (Minas and Duri).

The challenge in the next five years is how to change the 'B to G'-patterned system into 'B to B'-patterned. However, in the Draft of Oil and Gas Law No.22/2001 that is recently being discussed in the House of Representatives, what actually happens is that the 'B to G' pattern will be maintained by strengthening the legality of what formerly is known as BP Migas/SKK Migas, though with a different name.

The challenge for new and renewable energies in the future is how to improve the role of new and renewable energies in the national energy mix. In the National Energy Policy, the Government has stipulated the energy mix target to achieve in 2025. The reduction of the role of oil is being developed, while the role of new and renewable energies will keep on increasing. The role of oil will decrease from 49.7% in 2010 to about 23.7% in 2025. Meanwhile, new and renewable energies increase only for 5.7% in 2011 to 25.9%

in 2015. The target of new and renewable energies use in 2025, which is quite significant (25.9%), is a challenge in developing new and renewable energies since the production cost is still unable to compete with fossil energy industry. Only large-scaled Nuclear Plants with USD 0.6 per kwh production cost that can compete with the fossil energy industry.

Graphics 2. The National Energy Mix 2010-2050



Source: The National Board of Energy (DEN)

The challenge of developing Renewable Energy, especially Bio-Fuel, in addition to the issue on production cost and the long-termed supply guarantee, is also on the fact that the raw materials are also used as food, such as bio gas oil made of palm kernels. Bio-Fuel from non-food materials until today is less developed due to unclarity and the lack of coordination between the activities in the upstream (management/production of the raw material plants, such

as jatropha) and the activities in the downstream, which process the raw materials and the distribution.

Meanwhile, the challenge for Nuclear Plant construction is related to the security problem of the plant. The events in Three Mile Island, Chernobyl, and Fukushima have given a widespread impact towards the public perception regarding Nuclear Plant security, though actually the number of victims is not as what the news tells and the security quality of the plant keeps on being improved. As an anticipation to ensure that the accident in Fukushima will not reoccur, the location of a Nuclear Plant should be as far as possible, to avoid the risks of earthquake and tsunami. As for Indonesia, the need for nuclear energy source, including for providing electric power, has actually been apparent since the administration of President Soekarno, with the presence of BATAN. However, the program of Nuclear Plant construction which has been planned, is repeatedly pended, mainly due to the psychology of the public, which is appraised as being 'not ready' yet.

Nuclear Plants are really needed by Indonesia to support the economic growth and the increasing number of the population, which cause the need for electricity keeps on soaring up. Recently, there are about 20% of the population which have not been able to access electricity. Meanwhile, those electrified areas still frequently experience blackouts. Many investments are hindered due to the shortage of electric capacity, including the lack of transmission and distribution networks which often is caused by issues on capping. So, the fulfillment of such ever-increasing electric need cannot be concentrated or depending on one type of energies. It is natural that

Indonesia should start to reprogram Nuclear Plants as God-given cheap energy to bring prosperity to the people, as what has been enjoyed by advanced countries.

Meanwhile, in the field of forestry, there are several challenges which must be overcome to ensure that the forestry development can run well and guarantee the sustainability of the strategic role of the forestry sector at this time and in the future, namely: to improve the competing force and interest in terms of forestry investment, to increase the readiness facing the ASEAN-China free trade, to trim down and simplify forestry fees, and to fix the forestry tenure system.

The huge potential of forest resources is a comparative superiority owned by Indonesia. However, such comparative superiority can never produce optimal benefits if the forestry sector cannot overcome such fundamental issues, among others, as the low competing force due to uncertain round timber raw material supply and the inefficiency of production due to old machinery.

In addition, the appearance of several new players in the international market also makes the challenge of developing the national forestry industry become bigger. Another challenge that needs to be concerned by forestry development is the low interest in investing in the forestry and forestry industry sectors. Investments in the forestry-based sectors during this decade tends to see a decrease (BKPM, 2009).

This low interest in investing in the forestry sector is believed to be caused by several factors, (Nurrochmat and Hasan, 2012): Firstly, the relatively long return of capital because the investment in the forestry sector needs a quite longer time compared to the investment

in other sectors. Secondly, high risk investment. The business in the forestry sector, in general, is considered high-risk business because, in addition to the fact that it needs a long time, there are many tenure conflicts related to the right for land use, especially with the local communities. Thirdly, high risk economy. In general, there are a lot of types of fees for the investors conducting their business in the forestry sector.

In the road-map of the revitalization of the forestry industry, it is mentioned that the needs for round timber to fulfill the raw material supply for the domestic processed timber recently reaches the amount of 50-60 million m^3 per year, while the actual round timber supply is only about 25-30 million m^3. This means that there is a gap between demand and the supply of round timber for about 25-30 million m^3 per year, or about 50% of the total round timber need. This gap is suspected to become one of the factors triggering the growing number of illegal loggings in the timber black market (Nurrochmat and Hasan 2012).

The numerous forestry fees are damaging for the investment. In the spirit of creating a conducive investment climate in the forestry sector, at least there are two important ways that can be taken: *firstly*, giving fiscal incentive by disciplining illegal fees and trimming down/simplifying legal fees, and *secondly*, giving a guarantee for business certainty, especially relating to the regulation for tenure issues (Nurrochmat and Hasan 2012).

The business costs in the forestry sector is felt so high and the implementation is quite complicated. In addition to the practice of

illegal fees, there are also other types of legal fee that are related to the forestry business. Several types of fees at the forestry sector regulated in the Forestry Law No. 41 of 1999, among others, are the Business Permit Contribution, Performance Guarantee Fund, Reclamation and Rehabilitation Guarantee Fund, Forest Preservation Investment Fund, Research and Development, Training, and Counseling Investment Fund, and the Compensation for Community's Loss Fund (Nurrochmat *et al*. 2010). In addition to being charged with one or more types of PNBP fees, forestry business actors are also charged with various other fees, both in terms of taxes and of retribution, whose amounts are quite high.

There are two understanding that fundamentally changed after the decision of the Constitutional Court on the material test of the Forestry Law. Firstly, forest zone needs a stipulation, and not only designation. Secondly, the status of customary forest is not a part of the state-owned forest. Therefore, after the decision of the Constitutional Court, there is a shift regarding the interpretation on forest, which in terms of the status is differentiated into two, namely the state-owned forest and the private forest.

Private forest is distinguished into customary forest (indigenous right) and individual/legal entity forest. Those three forest statuses, at the highest level, are all controlled by the state. Yet, it needs to be underlined that the definition of forest zone is not identical with state-owned forest. The forest zone ownership status or "permanent forest" can be granted to anybody as long as it follows the norms of forest management pursuant to its function.

The issue on overlapping licensing or forest zone encroachment cannot be simplified to become just a legal issue which can be overcome only by legalistic-formal approach, such as the stipulation of boundary. In the context of tenure, the claim of truth in general only clings on or is attached to the aspect of legality and not legitimacy. The low legitimacy over land control in several cases has no relation at all to the presence of "de jure" boundary regime; instead, to how far the boundary is pursuant to the understanding and practice of "de facto" land control applied and acknowledged by a community in a certain area.

In the field of fishery and marine affairs, there are several strategic issues which can be challenges in the future. Among others are its linkage with food security, where the demand of fishery products keeps on increasing along with the increase of the number of middle class people in Indonesia. The domestic need for fishery products, it is estimated, will reach 4 million tons per year.

Meanwhile, as for the sustainability of export towards the main market, such as Japan, USA, and Europe, Indonesia is required to fulfill such strict requirement which often cannot be managed at the field level. The calculation between demand and supply is also often not harmonious, so that this brings about the so-called 'pseudo-demand' which is then answered pragmatically, namely: by opening the import faucet. The management of the fishery field is also still far from perfect to be able to realize a really good fishery resources preservation.

In the aspect of marine affairs, the problem of coastal and marine ecosystem damages still becomes a particular challenge. As a medium for marine-based activities, the health quality of the ecosystem is important to be improved. As for sea boundaries, there are still several international border agreements that need to be resolved to guarantee the national sea management. The fact that the format of the management of small islands is not yet perfect, especially those related to the optimization of the use of resources and the welfare of the communities in foremost islands and border areas, also becomes an issue that needs to be paid attention to. In addition, the development of science and technology which support the development of marine affairs and fishery is also not yet maximum.

The System and Management of Natural Resources

Far before the independence of Indonesia, geologists from foreign countries had believed that the earth of Indonesia contains an immense amount of natural resources such as oil, gas, mineral materials, and coals. This is because Indonesia's geological position is on the meeting point of the Eurasian, Australian, and Pacific plates and the geographical land and sea territorial widths are almost the same as those of the US and the European Continent. The oil-and-gas and mining potentials can be located onshore and offshore. This is what becomes one of the reasons why Indonesia, far before its independence, was one of the regions in the world that was most coveted, or, at least, whose natural resources can be controlled and exploited.

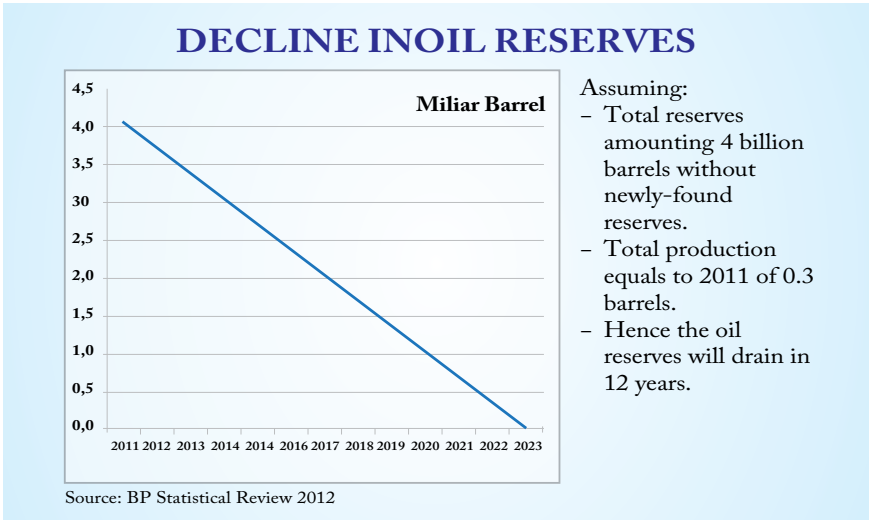
Geologically, the estimation of the national oil-and-gas resources

recently is about 56 billion barrels for crude oil and about 334 tcf for gas, trapped in approximately 120 sediment basins. Meanwhile, those which are ready-to-produce reserves recently are relatively of small amount, namely 3.7 billion barrels, and those which are potential reserves are about 4 billion barrels. If new reserves are not discovered, whereas the existing ones are continuously produced at the recent level of production, Indonesia will become one of the oldest oil producer countries in the world whose oil reserves is only about 0.20% of the world's oil reserves.

With strategic geological position, Indonesia, long before the declaration of independence, has become one of the world's targets of colonization or, at least, the target for natural resources exploitation and control.

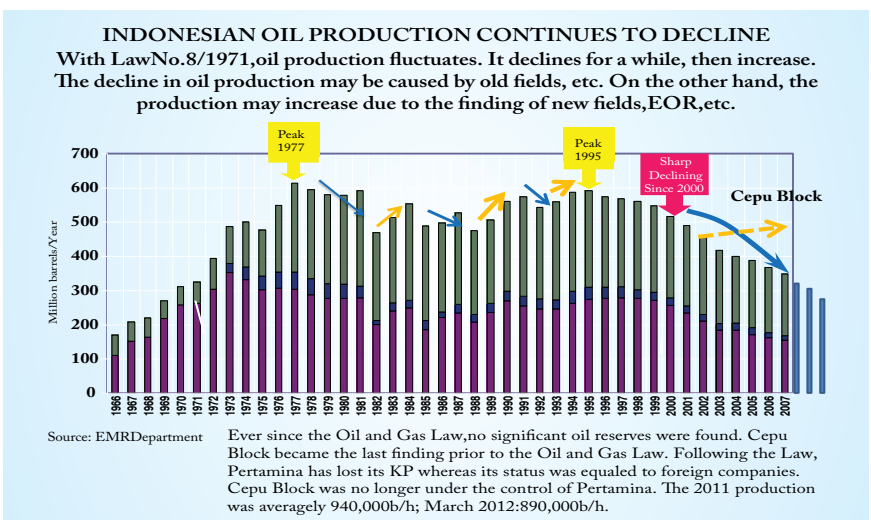
For the last 12 years, the significant new reserve discovered is almost second to zero. Thus, it can almost be made sure that the national oil production, which was 820,000 bbls/day as per October 2013, will be difficult, and even impossible, to improve to the self-reliance level to fulfill the national oil needs recently, which is about 1.6 million bbls/day. Though Indonesia has a relatively huge potential for oil resources, namely 56 billion barrels, if there is no efforts for improving the management system, it is most certainly that Indonesia will keep on being a net-oil importer country forever. Therefore, the need of crude oil import will become a permanent need.

Graphics 3. The Decrease of Indonesia's Oil Reserve



Source: The National Board of Energy (DEN)

Graphics 4. The Decrease of Crude Oil Production


INDONESIAN OIL PRODUCTION CONTINUES TO DECLINE
With LawNo.8/1971,oil production fluctuates. It declines for a while, then increase. The decline in oil production may be caused by old fields, etc. On the other hand, the production may increase due to the finding of new fields,EOR,etc.
Peak 1977
Peak 1995
Sharp Declining Since 2000
Cepu Block
Million barrels/Year
700
600
500
400
300
200
100
0
1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
Source: EMRDepartment
Ever since the Oil and Gas Law,no significant oil reserves were found. Cepu Block became the last finding prior to the Oil and Gas Law. Following the Law, Pertamina has lost its KP whereas its status was equaled to foreign companies. Cepu Block was no longer under the control of Pertamina. The 2011 production was averagely 940,000b/h; March 2012:890,000b/h.

Source: The National Board of Energy (DEN)

The hope to increase the oil production recently is only available through two options. Those two options are extra production from the discovery of new reserves and extra production resulting from the optimization of old fields, for instance, by applying the enhanced oil recovery (EOR) technique. The only new block reserve that can be reliable to improve the national oil production is the Cepu Block, which is able to add the production for about 160,000 bbls/day. The Cepu Block was discovered before the management system was regulated with the Oil and Gas Law No.22/2001. This means that in the next five years, the maximum national oil production can only achieve about 1.0 million bbls/day. Whereas, in 2019 the national oil demand will be about 1.9 million bbls/day.

To convert the resources into a ready-to-produce reserve, the investment for the purpose of exploration is needed. The problem is that in about the last 13 years, exploration activities have been terribly low. The reduction in terms of exploration drilling actually happens since 1999, due to, in addition to the monetary crisis, the effect of the waiting attitude of the oil and gas investors because of law uncertainty incurring from the Management System of Oil and Gas of Indonesia which is going to be amended with the Oil and Gas Bill proposed to the House of Representatives.

In 1998, exploration drilling was still conducted in about 145 wells, and then it reduces to 99 wells in 1999. At the time the law certainty has already existed since the Oil and Gas bill had been legalized to become the Oil and Gas Law No. 22/2001, the number of exploration drilling keeps on experiencing a decrease, down to 62 wells only. Even more, in 2003, exploration drilling was done just in 23 wells. In 2007, the drilling

activities was still terribly low, namely in about 39 wells. Such exploration drilling activities are carried out in production blocks, and not in new blocks. This reflects that oil and gas investors are reluctant in investing their money in new blocks which has high risks. If the exploration fails, and there is no discovery, 100% of the loss will be the investors'. However, if the failure happens in terms of exploration drilling in the existing blocks, the cost expensed will be the burden of the state, with the 'cost recovery' mechanism.

The low quantity of exploration drilling happens because of the Management System which is based on the Oil and Gas Law No.22/2001, which is really unfriendly towards the investors. This is reflected on at least two things. Firstly, the article 31 of Oil and Gas Law, which obliges the investors to pay various types of tax and fee, though in the exploration year they have not yet discovered or produce oil and gas. The provision in this article 31 has removed the 'lex specialis' principle in the national oil and gas sector, which had been applied under Law No.8/1971.

Secondly, the bureaucratic and serpentine management system because the managing body is a new institution (the BP Migas), a non-business agency which never existed previously in the system of the national petroleum. On the other side, this new agency has no adequate force to guard oil and gas investments since though it signs a contract with a foreign/private party, it is not the Mining Control Holder. This is different from the Law No.8/1971, where Pertamina is the party which signs the Contract and it is at the same time the Mining Control Holder, so that its position is 'profound', for example in its relation to the obstacles experienced in seeking for new reserves in regions of Indonesia.

This National Oil and Gas Management System, which is based on the Oil and Gas Law No.2/2001, has made Indonesia to become one of the countries whose oil and gas management is the worst in the world. Even more, as for the Asia-Oceania region, the oil and gas management system of Indonesia becomes the worst compared to all our neighboring countries. It is worse than Australia, New Zealand, Brunei, the Philippines, Malaysia, and even East Timor. This is the conclusion of the Result of the Survey of Fraser Institute Canada for two consecutive years, as reported in 'World Petroleum 2011' and 'World Petroleum Survey 2012' books.

The discovery of new reserves can only be obtained if exploration drilling activities are conducted. The main factor driving the exploration investment is the presence of hydrocarbon resource potential, which is seen from the preliminary map of geological potentials and the economic factor, which is seen from the level of the world's oil price. The preliminary map of hydrocarbon resource potentials should be updated based on the most recent data. Good geological data will attract the investor's interest. In addition to that, the oil price, which tends to increase, especially since the rickety monopoly control by 'the seven sisters' cartel, will also become a motivation for the investors to look for new reserves.

The low national oil production as the result of the reduction of exploration activities is highly influential towards the national economy and energy security. In addition to having to be dismissed from OPEC, Indonesia also becomes highly dependent to imported oil, which depletes the national exchange. In 2012, the amount of Indonesian imported oil had reached USD 45 billion, which directly afflicted the Rupiah currency exchange rate because the value of trading deficit went

beyond USD 5 billion, which is the highest oil and gas deficit in the history of the national petroleum.

The Government's Economy Rescue Policy Package announced in 23 August 2013, among others, is to repair the deficit of the on-going balance deficit and the Rupiah exchange rate. The action plan to take is by reducing the gas oil import, by attempting to increase the biodiesel consumption by adding the content of biodiesel in gas oil, from 7.5% to 10%. However, the package does not make the acceleration of petrol to gas fuel conversion as a part of it. Whereas, in fact the amount of petrol import is bigger than that of gas oil. This means that, the effort of reducing oil and gas deficit will be far more effective if the consumption of premium petrol can be reduced significantly by converting the use of petrol to gas fuel.

The relatively huge oil and gas trade balance deficit at this time has been proven to have negative impacts on the macro economy indicator, such as the weakening of rupiah exchange rate towards the US dollar and the increase of the interest rate. This is a 'new' phenomenon in the national oil and gas industry, which is over 100 years of age. Before, the oil and gas sector had always been the biggest national exchange contributor. For more than two decades before the Oil and Gas Law No.22/2001, about 80% of the total receipts of national exchange reached came from oil and gas exports.

The history of the world's petroleum industry records that the oil and gas industry in Indonesia (d/h the Dutch Indies) is one of the oldest oil and gas industries in the world. The birth of oil and gas industry in Indonesia is only several years after the world oil industry was born in Titusville, Pennsylvania, USA, in 27 August 1859, marked by the success

of Colonel Drake to drill the first oil well. In Indonesia, the first oil well drill was executed in 1871, or about 12 years since the world's oil and gas industry was born. However, the first oil drill carried out by Jen Reerink in the surrounding of Ciremai Mountain, West Java, did not succeed in discovering the oil.

The birth of the oil industry of Indonesia was marked by the 'discovery' of oil seepages in the Langkat Region of North Sumatra by A.J. Zijlker in 1880. The first oil well drilling was done in Said Lake, Langkat, in 1884 and succeeded in discovering the oil though in an uneconomical amount. The drilling was then moved to the east direction in Tunggal Lake and in 15 June 1885, with 121 meters depth, torrents of gas, oil, and water occurred. It is this Tunggal Lake well that is then named the first commercial oil well in the Dutch Indies.

The regulation for Mining Management was issued by the Dutch Colonial Government, in the form of Mining Regulation 1850 (*Koninklijke Besluit* 1850). It was then refined with the Mining Law 1899 (*Indische Mijnwet* 1899). The Colonial Government issued a Mining Permit to a mining company for a certain area or block. Thus, the concession system adopted the 'Business to Government' (B to G) relation pattern with a vertical structure, where the Colonial Government gave the concession and the company acquired such concession for a 90-year period of time. If after that a dispute occurred, the Colonial Government could be sued in the International Arbitration.

In addition to paying taxes as it is supposed to be if a company makes profits, Concession Holders were obliged also to pay a 1% royalty. The management was completely on the hand of the Concession Holders,

starting from the determining of capital, production, marketing, workforce, to the mining technology and infrastructures. Oil, gas, and mining materials produced from the earth of the concession areas were entirely the possession of the Concession Holders. Taxes and the royalty paid by the Concession Holder could be the mining produce (in kind) or in the form of cash paid to the State's Treasury. The Colonial Government only monitored the mining activities.

Though the Colonial Government, via the Royal Dutch Shell (the oil company of the Dutch Colonial Government established by A.J. Zijlker, which was then incorporated into the Shell Transport from England) had a dominant position, the Dutch Government felt it important to protect its company in the competition with other oil companies. For that, IMW 1899 was corrected by conducting concession granting restriction. Even more, in 1904, the granting of new concessions was frozen. A very significant change on IMW 1899 was done in 1918, by adding 'Article 5A', which obliged any companies having the interest to hold oil mining activities in the Dutch Indies to run a contract with the Dutch Colonial Government. It was recorded that, in the beginning of the 20th Century, there were 18 oil companies operating in the Dutch Indies based on the IMW 1899.

After the independence of Indonesia, the Concession System on the basis of this Indische Mijnwet 1899 kept on being effective before the new Law came up to replace it, though the IMW 1899 was not in line with the State Constitution of the Republic of Indonesia. It was on the basis of IMW 1899 that the wealth of Indonesia's natural resources, such as oil, gas, and mining materials were completely

controlled by foreign oil companies operating in Indonesia, such as Shell, Stanvac, and Caltex which obtained a concession right as long as 90 years. So, though Indonesia had been an independent country, all oil and gas management, starting from the upstream to the downstream, were on the hands of foreign companies.

During the Independence War, the strugglers and oil workers took over oil fields and refineries in various areas from the foreign hands and formed the National Oil Company at the local level, which then became the embryo of three state-owned oil companies, namely Pertamina, Pertamin, and Permigan. On the suggestion of Mr. Mohamad Hasan – a member of the House and former Governor of Sumatra – the effort to replace IMW 1899 was realized by forming the State Committee for Mining Affairs, whose task was to arrange the Bill of Mining Law as the substitute for IMW 1899.

The wave of nationalizing the Dutch companies happened in 1950s. The spirit of nationalism of the people, infused by the measure the government took to announce the Juanda Declaration 1957, which stated that the territorial waters around the islands are an integral inseparable part of the territory of the Republic of Indonesia. Before that, the territorial waters among islands were international waters. Juanda Declaration was acknowledged by the international world through UNCLOS in 1986. In 1960, the government issued Law No.44/Prp/1960 on Oil and Gas and Law No.37/1960 on Mining. The status of the foreign oil companies operating in Indonesia changed from Concession Holder to State-Owned Company's Contractor.

Foreign companies could still conduct mining activities by having a contract with State-Owned Company, in the form of a Working Contract. It was recorded that Caltex Oil Company had a contract with Permina, Stanvac Oil Company had a contract with Pertamin, and Shell Oil Company had a contract with Permigan. The Working Contract system in Law No.44/Prp/1960 adopted the 'B to B' relation pattern, where the party having the contract from the Indonesian side is a State-Owned Company. This pattern is different to the general mining which refers to Law No.11/1967, with the 'B to G' pattern. Freeport Mining Company, for example, started to make its way into Irian Jaya (Papua) in 1967 by having a direct contract with the Government of the Republic of Indonesia in a form of a Working Contract or 'B to G'.

In the history of the national petroleum, it is recorded that after the independence day in 17 August 1945, in Indonesia there had been several State-Owned Companies in the petroleum field in various regions. Those companies were born from the taking-over of oil Dutch refineries by the combatants in the field of petroleum. Those companies are: The Oil Mining Company of the Republic of Indonesia (PTMNRI) in North Sumatra, State-Owned Oil Mining Company of the Republic of Indonesia (Permiri) in Jambi and South Sumatra, and the National Oil Mining Company (PTMN) in Cepu, East Java.

In 1950, PTMNRI North Sumatra was changed into PTMRI North Sumatra. In 1954, PTMNRI was changed into the North Sumatra Oil Mine (TMSU) and in 1957 it was again changed into PT ETMSU. In 10 December 1957, PT ETMSU was changed into PT Permina under the leadership of Colonel Dr. Ibnu Sutowo and

in 1961 it was changed into State-Owned National Oil Mining Company), which in 1966 signed off the first Production Sharing Contract with foreign companies.

Meanwhile, Permiri in Jambi and South Sumatra dismissed itself in 1948. The NV NIAM's ((NV *Nederlands Indische Aardolie Maatschappij/Stanvac*) assets in South Sumatra and Jambi were bought by the Government under Indonesian Oil Mining Ltd. (PT Permindo). In 1961, PT Permindo was changed into State-Owned Company of Oil Mining of Indonesia (PN Pertamin), most of whose activities were on the sides of Refineries and Domestic Marketing.

In East Java, PTMN Cepu was changed into Cepu Oil Mining Company of the Republic of Indonesia (PTMRI Cepu) in 1950, and in 1961 it was changed into State-Owned National Oil Mining and Geothermal Energy Company (PN Permigan). To conclude, in 1961, Indonesia had 3 State-Owned Oil Companies: PN Permina, PN Pertamin and PN Permigan. In 1968, PN Permina and PN Pertamin were merged into PN Pertamina. Meanwhile, PN Permigan Cepu was liquidated and changed into the Cepu Center for Petroleum Education and Training, under the Department of Mining.

With the Law No.8/1971, PN Pertamina was changed into Indonesian Oil Company (Pertamina) which is an integrated national oil company, moving from the upstream to downstream sectors. If the company lacks of funds and technology, Pertamina as the Holder of Mining Control was given an authority to conduct a cooperation with Foreign Investor, in a form of Production Sharing Contract. Here, it is clear that the relation pattern with the Foreign Investor party follows the 'B to B' pattern. If a dispute

occurs between Pertamina and the foreign party, the one to be sued is Pertamina, whose assets are separated from the government's. In addition, the government can also apply a policy that is different from the contract contents, if apparently the contract contents are detrimental for the state.

Under the Law No.8/1971, Pertamina succeeded to build a national oil and gas industry acknowledged by the international world. The production of crude oil soared drastically, the Nationa Budget's revenues from oil and gas sector and the receipt of National Exchange from the oil and gas exports jumped up significantly. The model of management based on Law No.8/1971, with the Production Sharing Contract method, were imitated by many other countries. Malaysia, with its Petroleum Development Act 1975 (PDA 1975) which is almost completely the same as Law No.8/1971, gives the authority to Petronas to manage Malaysia's oil and gas wealth, and all foreign oil companies in Malaysia have a contract with Petronas, and not with the Malaysian Government.

The monetary crisis in 1998 was a turning point of the national petroleum management system. Since Indonesia obtained loans from the International Monetary Fund (IMF), then pursuant to the Letter of Intent (LOI), Indonesia had to amend the Law No.8/1971 into a new one. The new Bill was proposed by President Habiebie's administration, yet the House of Representatives rejected to legalize it since it was judged as being opposed to the Constitution. The new Oil and Gas Law, namley the Law No.22/2001 was legalized at the time of President Megawati's administration. With this law, the Mining Control has to be revoked from Pertamina, taken over by the

Government to be re-submitted to the business actors, consisting of foreign and private companies. Pertamina was then changed into PT Persero and was broken down on the basis of Upstream and Downstream Business Activities, which are separated companies.

Then, the Government would form BP Migas, which signs the contract with Foreign/Private Parties, sells the State's Share of oil and gas, controlling the cost recovery paid by the state to the Contractors. At the Downstream Sector, anybody can open a petrol retail business with a permit from the Government. Petrol subsidy will be discarded and the petrol price will depend entirely on the Competition Market Mechanism. Then, BPH Migas is formed, whose function is as the regulator at the downstream sector. Later, the Court of Constitution approved a Judicial Review over the law, by taking out four important articles, including the one relating to the presence of BP Migas.

Meanwhile, in the management of renewable energies, especially biofuels, the government allocates subsidies to the producers, which are private companies. The same happens with Geothermal Power Plant. The state has given a subsidy to the independent power producer (IPP) of Geothermal Electric Power, which are private companies. The granting of such subsidy happens because those private companies produce biofuels and electricity whose prices are far above the petrol selling price and the electricity basic rate. As for the biofuel, the production costs become relatively expensive since the raw material of biofuel is from food material (palms). However, if the biofuel material is from used cooking oils, the production cost is supposed to be very cheap. In the future, we need to restore and make efficient the management by promoting transparency in accounting

for the production cost and the determining of the quantity of subsidy towards biofuel and Geothermal Electricity.

As for the geothermal electricity management, remembering that based on the Constitution the geothermal vapor within the earth is owned by the state, then we need to reevaluate whether the granting of the right to manage geothermal energy to private companies is already been harmonious with the constitution. IPP of Geothermal Energy is supposed to be able to produce electricity more efficiently, so that it is able to produce cheaper electricity production cost than what is being done by the state (State-Owned Companies). However, the actual fact is the other way around. The State Electricity Company (PLN) is 'forced' to buy the electric power from Private Geothermal Energy IPP with a price far beyond the price of geothermal electricity managed by the State-Owned Company.

For instance: the selling price of geothermal electricity of Kamojang Garut, managed by Pertamina to PLN is about USD 0.4 per kwh, before raised by the government to USD 0.6 per kwh. Meanwhile, the private IPP geothermal electricity sold to PLN is priced about USD 0.8-1.5 per kwh. Private Geothermal Power Plant from Supreme Energi, for instance, sells electric power to PLN with the price as much as USD 0.94 per kwh, whereas the basic rate for electricity has now been relatively expensive, namely USD 0.8 per kwh. To prevent the 'three-party collusion', namely the private, executive, and legislative parties, which disadvantages the people in the stipulation of the selling price of geothermal power to PLN, a transparency and the involvement of an independent party are needed.

The argument that geothermal electric power has to be 'expensive' so that it can be developed is hard to accept. Generally, the geothermal well drilled is relatively more shallow than the oil and gas well, though it is located in mountain areas. Geothermal Power Plant is built at the mouth of the mine, so that it does not need a cost for raw material transportation, something that is different from Coal Power Plant, whose raw materials must be transported from the producers in Kalimantan and Sumatra to the plant sites in Java Island and other islands. In fact, the electric power selling price of Coal IPP to PLN, about USD 0.6 per kwh, is far cheaper than the selling price charged by Private Geothermal Power Plants.

The management condition that needs to be concerned with is the one if the field of forestry. In the law terminology in Indonesia, the term 'forest zone' is different from 'forest'. The term 'forest zone' refers to the areas stipulated by the government as a fixed forest, while 'forest' refers to bio-physical condition of an area, which is grown by trees shaping an ecosystem. This means that not all forest zones are physically forests.

Based on the National-Level Forestry Plan (RKTN) 2011, of 130 million hectares of forest zone, apparently only 92 million hectares of them are still forests. This happens due to the intensive illegal logging, encroachment, land function transfer, and forest fire. However, the portrait of Indonesian forest management is not all bad. The pleasing news is that Indonesian government's efforts in reducing the pace of deforestation have started to show results. FAO (2010) appraised that, though there are still threats on deforestation, generally countries in Asia, including Indonesia, are quite successful in pressing down the number of deforestations.

In the reformation era in the end of 1990s, law enforcement regarding forest issues was at its lowest level and the average of deforestation speed had gone beyond 3.5 million hectares per year. However, the latest data released by the Ministry of Forestry show that the average speed of deforestation in Indonesia in the 2006-2009 period had decreased under 1 million hectares per year and in the 2009-2011 period it went down even lower, to 0.5 million hectare per year (Santosa, 2012).

There is no other way that the forestry sector can maintain its existence and rise to give contributions to the national economy except by conducting the rehabilitation of natural forests and by developing forest plantations. The contribution of forest plantation as a source of round timber tends to keep on increasing from year to year. In 2003, the timber contribution from the Industrial Forest Plantation (HTI) was only about 5 million m^3, or less than 50%. Meanwhile in 2011, of the total round timber production, which was 47 million m^3, only about 11% came from natural forests. This means that almost 90% of Indonesian round timbers recently are dominated by those coming from forest plantation, be it from Industrial Forest Plantation (HTI) – including from Perum Perhutani, Community Forest Plantation (HTR), and Community Forest (the Ministry of Forestry, 2012). Though the proportion of round timbers coming from forest plantation recently has gone far beyond those coming from natural forests, actually the development of forest plantations, except for community forests, is moving very slow. Many HTI companies cannot continue their business due to land conflicts with the community and because the domestic price for round timbers is very low. In 2011, the number of operating

HTI companies in fact decreased, compared to the number in 2010, though the cumulative plantation width increased.

The development of Community Forest Plantation (HTR) is also still far from the expectation because the community's reluctance to participate in the HTR program due to the inappropriateness of the type of plants and the unclarity of the regulations on the field. Different from the HTI and HTR programs, whose development speed is terrible, the community forests planted in the private lands (private forests) recently experiences a quite rapid development. This gesture of development of the community forests can be felt in various regions, especially in Java Island. In order to obtain optimal results, the movement of developing plantation forests is continuously done with a good silviculture technique and by considering the ecological compatibility, for instance by prioritizing the planting of local type trees, which is not expansive and dangerous for the biodiversity.

With the assumption that HTI planting needs an IDR 8.7 million per hectare, and that the harvest can be done in 12 years, Nurrochmat et al. (2007) predicted that, if the planting was done in 2005 with the width, for example, of 100,000 hectares per year, the GDP of the forestry sector in 2017 (the twelfth year, the assumption that the HTI can be harvested for the first time), will add to the amount as much as IDR 7.7 billion. By doing the projection based on the constant price, then the National GDP will reach consecutively IDR 3,299 trillion in 2017, IDR 3,299 trillion in 2018, IDR 3,464 trillion in 2019, and IDR 3,637 trillion in 2020. In this simulation, the GDP growth of the forestry sector will depend on the width of the planting.

HTI development does not necessarily pump up drastically the contribution of the forestry sector towards the GDP. If the HTI investment was done since 2005 with the width of 100,000 hectares per year, the forestry GDP in 2017 will become IDR 31,204 billion, or about 0.99% of the national GDP. However, if the HTI planting can be increased up to 1 million hectares per year, the forestry GDP at that time will climb up to IDR 37,580 billion, or 1.2% of the national GDP (Nurrochmat et al. 2007).

The value of Indonesian forestry products, especially processed timbers, is relatively stagnant and its market segment is getting smaller compared to the competitor countries. The decline of the market segment of Indonesian timber product export is caused by the decrease of Indonesian timber's competitive power in the international market and the increase of the growth of the domestic timber market. There are several causes for the decrease of the competitive power of Indonesian timber products in the international market: firstly, Indonesian timber industry has been for quite a long time protected by the provision of cheap round timber raw materials since the application of the restriction policy on round timber export in 1985. Our domestic timber industry is late in getting well-organized and many of the companies operate with low-level efficiency. As the result, the competitive power of Indonesian forestry products slides even lower when having to compete with the timber products of competitor countries.

Secondly, the marketing of timber products is getting tougher after the economic crisis in the late 1990s. Indonesia, as a patient to the IMF, had to take the prescription of dismissing the Collective

Marketing Agency (BPB) for timber products. As the result, the national timber industry loses its control in the international market and the market position of Indonesian timber products gets weaker, whacked by internal competitions in fighting over export markets.

In addition to the decrease of the competitive power, the decline of the segment of Indonesian timber products in the export markets is also caused by the growth of the domestic market. The large number of population and the quite high intensity of growth of Indonesia population need a shelter to live in, furniture for various needs, and to use papers to communicate and do their works. The increasingly intensive domestic demands and the low competitive power of Indonesian timber products in the international market have caused its export value to become stagnant, and even tend to decrease.

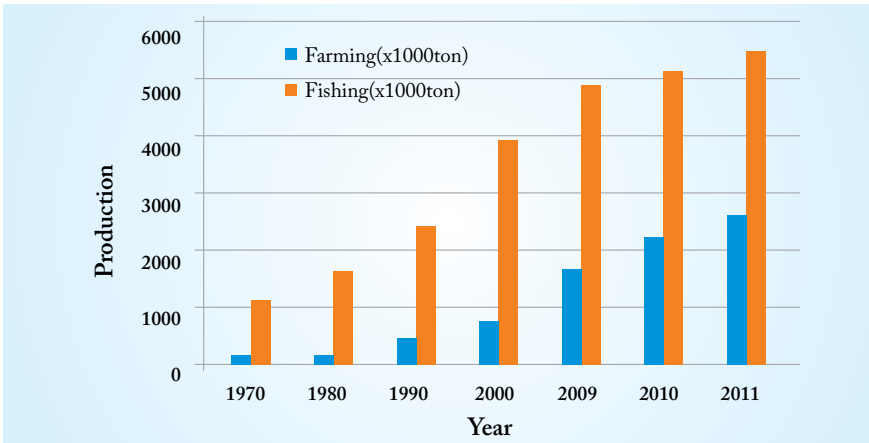
Indonesia was once a market leader of the world's plywood market in 1990s. However, Indonesia's plywood export value kept on decreasing and in 2004, it was under Malaysia and China. As for timber secondary products, since 2009, Vietnam and Malaysia have also been outclassing Indonesia. This condition forces Indonesia to immediately strengthen the competitive power and repositioning strategy of its timber products in the international market. Theoretically, the improvement of export value can be achieved through two methods: (1) increasing the export volume and (2) selling high-priced products. It is difficult to improve the export volume of timber products since the national round timber production is relatively stagnant and the demand on timber from the domestic market keeps on increasing.

Recently, the forestry sector is facing a very complex situation and

all forest zones are under an extraordinary pressure, be it due to economic development, social, or environmental reasons. During these last several years, requests of permits for releasing forest zones for the uses of plantation, settlement, and area proliferation, and requests of borrow-to-use permits for mining purposes have increased significantly. A policy that takes side with forestry is not identical with the action of terminating all forest conversion permits. Economic development must be concerned too, yet the granting of forest conversion permits should be done in a more cautious way, and are prioritized to forest lands that have been degraded. The balance of the ecosystem must be pertained too by doing efforts of rehabilitating critical lands and developing forest plantations seriously.

As what happens in the field of forestry, the condition of fishery management is also quite worrying. In general, Indonesian fishery production in 2011 reached 13.6 million tons, 5.7 million tons of which were from capture fishery and 7.9 million tons of which were from breeding fishery. In the period of 2007-2011, the increase of the total fishery production reached 13.5%, where at the same period of time, the increase of capture fishery production reached 3.2% and the increase of breeding fishery was 25.6%. In the earlier context of time, namely in 1971-2011 period, the significant increase of capture fishery started to occur in 2000, and then was relatively stagnant in 2009. Meanwhile, the production of breeding fishery increased more significantly in 2000 and kept on climbing up until 2011. Figures 1-2 present the trend of Indonesian fishery production in 1970-2011 period.

Graphics 5. The Trend of Indonesian Fishery Productionin 2007-2011



Source: The Report of the Reflection of Marine Affairs and Fishery 2012

In the report of the Reflection of Marine Affairs and Fishery 2012, the total fishery production is temporarily at the number of 15.3 million tons, where the capture fishery production reached 5.8 million tons and the production of breeding fishery was 9.5 million tons. Indonesia's capture fishery production is highly fluctuating, yet the trend is increasing each year. Several important things that can be synthesized from the dynamics of Indonesia's capture fishery are as follow: (a) the production of capture fishery in 2012 was 5.8 million tons, with the speed of the increase of production 3.83% per year; (b) the level of productivity per RTP was between 6-9 tons per RTP year with the average of 8 tons per year; (c) the fishers productivity level achieved 2 million tons per year; (d) the number of catching instruments operating is approximately 0.9 million units; (e) the

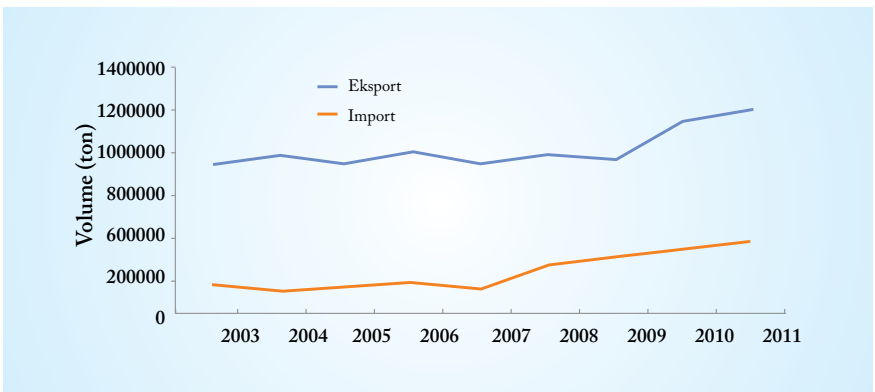
average of the productivity level of those instruments achieved 4 tons per year; and (f) household fishery productivity level achieved 7.6 tons per year, the instrument productivity achieved 4.4 tons per year, and the vessel's productivity achieved 1.8 ton per year.

Meanwhile, the production of breeding fishery increased more significantly. Several important things related to the dynamics of breeding fishery production that can be presented are as follow: (a) the contribution of the breeding fishery production towards the total production of the national fishery from 1970 until 2011 was 9-47%; (b) the increase of breed fishery production was very much significant since the 2009-2011 period, namely 33-47% (or 41% at average); (c) the average of the contribution of breeding fishery production since 1970 until 2011 was 26.3% per year; (d) from 2003 until 2011, the biggest contribution of the cultivation productions were: seaweed cultivation (5302%), shrimp breeding (9.9%), milk fish breeding (8.7%), gold fish breeding (7.5%), tilapia fish breeding (7%), and *patin* fish breeding (3.3%); (e) the value of breeding fishery production from 2003-2011 increased from IDR 1.6 trillion to IDR 6.3 trillion, with the average of IDR 31 trillion; (f) the regions with the largest contribution for breeding fishery production in 2010 were: South Sulawesi (21.6%), Central Sulawesi (11.8%), East Java (10.1%), West Java (9.9%), and South East Sulawesi (6.4%). The rest of the regions contributed lower than 5%; and (g) in 2010, the government stipulated 10 superior commodities of breeding fishery, namely: shrimp, grouper, tilapia, gold fish, milk fish, snapper, patin, catfish, gourami, and seaweed.

In terms of fishery product export, in the period of 2003-2011,

Indonesia displayed an increasing trend and still dominated the national fishery product trade. However, fishery product imports also show an increasing phenomenon, such as what can be observed in the following graphics:

Graphics 6. The Trend of Indonesian Fishery Export and Import



Source: The Report of the Reflection of Marine Affairs and Fishery 2012

The Solution for Natural Resources Management

A number of challenges will be faced in the management of natural resources in 2014-2019. Energy consumption will keep on increasing, mainly because of such factors as the increase of population and the growth of economy. The demands on all oil-and-gas, mineral and coal goods will keep on increasing. This makes the competition to gain the guarantee of oil-and-gas, mineral, and coal supplies become even tighter, both through diplomatic line competition among governments and the competition between companies. Because the

location and the number of oil-and-gas, mineral, and coal reserves are limited, then the zones which contain the potential of reserves will still be the source of conflicts, such as the zones in East Asia Sea, South China Sea, and the Indian Ocean.

In line with the tendency of the world, the consumption of oil-and-gas, mineral, coal, and electric power in Indonesia will keep on increasing. In the next 5 years, it is almost impossible to improve the oil production significantly, unless the oil production from the Cepu Block can be accelerated to achieve the ultimate production as much as 165 thousand bbls/day. The capacity of Petrol and LPG Refineries will still be stagnant, which means that Indonesia must be ready for the increasing import of oil and gas, in forms of crude oil, Petrol, and LPG.

Petrol consumption can be significantly reduced by accelerating the conversion from petrol to gas fuel, not by the way of applying quotas though accompanied with the Radio Frequency Identification device, increasing the use of biofuels, and increasing the quantity and quality of public transportation. In addition to that, there are also chances to create changes and restorations in terms of oil and gas, mineral, and coal management through amending the Law, if the elect House of Representatives and the Government after the 2014 General Election understand well the real conditions experienced by the natural resources field and are able to provide fine solutions which are completely based on the national interest.

With such challenges as mentioned above, several solutions are needed:

1. Oil and Gas

The number of countries in this world which geologically possess an abundant amount of natural resources wealth, such as hydrocarbon and minerals, is not many. According to the official data from the Government, the estimation of the amount of reserves for those three types of hydrocarbon energies is as follows: oil (7.73 billion bbls), gas (152.9 tcf), and gas (about 28.17 billion tons). The estimation for their values is as the following:

Table 2. The Estimation of the Value of Oil-and-Gas and Coal Reserve Assets

Asset Value Estimates of Oil, Gas, and Coal Reserves

Type of Asset	Reserve	Unit	US$ Price	Value in US$	Value in Rupiah
Oil	7.73	BillionBBLs	$110/bbls	$850billion	Rp8,075T
Gas	152.9	TrillionCF	$15/cf	$2,293billion	Rp21,783T
Coal	28.17	BillionTon	$100/ton	$2,817billion	Rp26,761T
Total				$5,960billion	Rp56,620T

Note: If, for example, production cost and Investor's part are consecutively 50% and 20% from the reserve assets can be monetized, there will be available fund amounting to Rp5,662 trillion that can be used to settle for the debts and build massive infrastructure across Indonesia!

Source: Kurtubi, 2013

The calculation above is based on the assumption that the amount of reserves and the price are constant. Whereas, the potential of

oil reserves, which is about 50 billion bbls, and the activities of exploration for new reserves can still be improved, for example, by dismissing the Oil and Gas Law No.22/2001, which is the causing factor for the decrease of exploration activities all this time, resulting in the fact that the amount of oil reserves and production in Indonesia also decreases.

From the non-conventional oil and gas resources, such as coal bed methane (CBM) and shale gas, obviously in the future the actual immense amount of reserves remembering that CBM and shale gas resources potential are 453 tcf and 574 tcf respectively. So is with the oil price. In the future, there is a big probability that the trend of oil price will nominally keep on increasing. This is due to the non-renewable nature of oil, meaning that its amount is limited, whereas its exploitation and production keep on happening.

With the same approach, we can calculate the estimation of asset/reserve value of mining materials such as copper, gold, nickel, iron ores, bauxite, and tin. Definitely, if the management system refers to article 33 of the 1945 Constitution (controlled by the state and used as much as possible for the prosperity of the people), the wealth of Indonesian nature in the forms of oil, gas, coals, copper, gold, nickel, iron ores, bauxite, manganese, tin, etc., will become assets that can drive this nation to become a great country. The conservative tentative estimation of the value of the actual reserves of oil-and-gas and mining material natural resources is about IDR 200,000 trillion.

The problem is whether with the existing management system of the abundant oil-and-gas and mining materials wealth in the earth of Indonesia is already pursuant to article 33 of the 1945 Constitution or not. The fact is that the management system applied today is still far from the management designed to dedicate itself to the prosperity of Indonesian people. In the oil-and-gas sector for instance, there are so many holes that provide opportunities for cunning rent seekers to exploit some benefits from what should be the state's income. The leaking holes, among others, source from the Managing Entity of Oil and Gas Wealth, which is handed to Non-Business Institution.

Likewise, in the general mining sector, the high level production with high mining commodity price in the international market has not yet contributed to the state's income optimally. The profits are enjoyed more by the business actors and a group of rent seekers. This is due to, among others, the type of contract frequently used in the mining sector for all this time is the Working Contract and the likes, such as PKP2B, in which the royalty value is terribly low and the one who is involved in the contract is the Government, hence the 'B to G' model.

Based on the Oil and Gas Law No.22/2001 effective today, the managing entity of the national oil and gas wealth is organized by non-business Governmental Institution, the BP Migas (which is then changed into SKK Migas, after the Decision of the Court of Constitution in 2012) with a State-Owned Legal Entity (BHMN), and not State-Owned Company. All oil companies

operating in Indonesia will do their contracts with BP Migas, or are contractors of BP Migas. BP Migas controls the cost recovery, which is a cost (investment and operational costs expensed by oil companies) paid back by the state from the oil-and-gas production of the related companies.

Meanwhile, the State-Owned Company in the oil and gas field, which was formed based on the Law No.8/1971, was dismissed and a new State-Owned Company, named PT Pertamina, was created based on a Notary Certificate. The Mining Control, which according to Law No.8/1971 is granted to Pertamina, was then taken over by the Government/the Ministry of Energy and Mineral Resources. Pertamina's status becomes equal to foreign and private oil companies having contracts with BP Migas/SKK Migas. The petrol price is completely given to the mechanism of the market, while the state's share of oil and gas coming from foreign contractors have to be sold through BP Migas designation.

After the application of Oil and Gas Law No.22/2001, the condition of the national oil and gas industry has not yet obtained a significant progress; it even tends to experience a setback, with such facts as the followings: Firstly, the production of crude oil keeps on experiencing a decrease, from 1.5 million bbls/day in 1998 to about 830 thousand bbls/day in 2013. As its result, the import of crude oil keeps on increasing. Secondly, the development and selling of Tangguh LNG with a terribly low price until now cannot be corrected to gain a decent price. As its result, the state loses about IDR 30 trillion/year and the State

Electricity Company is forced to use petrol as their raw material.

Thirdly, the cost recovery that keeps on soaring and being not transparent. Repeatedly Financial Auditory Board has found improper cost recoveries. As its result, the potential of the state's revenues reduces. Fourthly, after the responsibility for the fulfillment of petrol needs shifts from the shoulders of Pertamina to the Government's via BPH Migas, Pertamina is reluctant in building new refineries, using the small margin as its reason. As its result, Indonesia has to import an immense number of petrol, and this number keeps on increasing.

Fifthly, though the program of petrol to gas conversion has been set for so long, its realization is still almost zero because of the unclarity regarding who will be responsible for its implementation. In addition to the fact that the infrastructure is still inadequate, the certainty concerning its gas supply is also not clear. Whereas, the gas production is relatively abundant. As its result, petrol subsidy worsens. Meanwhile, the Government is politically 'afraid' to enforce petrol price hike because the people keeps on rejecting it. Sixthly, the asset, in the form of oil and gas reserves in the earth of Indonesia, cannot be used as a prominent source of funding.

Seventhly, the managing entity of the national oil and gas wealth is a non-business institution. The result is that it is the contractors who benefit from the assets/reserves contained in the Indonesian soil; and they use this wealth as collateral to gain funding. Whereas, oil and gas assets are completely owned by

the state. Eighthly, the privatization of the State Gas Company (PGN) has the effect that the role of PGN as a Trader becomes more dominant, while its task to build gas infrastructures, such as the infrastructures needed for city gas and gas fuel stations, is ignored.

From the legal aspect, until now the Oil and Gas Law No.22/2001 has been through a Judicial Review in the Court of Constitution for three times, and the Court has dismissed 17 articles of it. Those articles are article 12 sub-article 3: the Minister stipulates the Company and Permanent Enterprise Body which are given the authority to conduct exploration and exploitation activities in the Working Areas as meant in sub-article (2). Article 22 sub-article 1: The Company and Permanent Enterprise Body should submit at most 25% of its share from the oil and gas production to fulfill the domestic needs. Article 28 sub-article 2: Petrol and Geothermal Gas prices are submitted to a healthy and natural business competition mechanism. And all articles related to BP Migas.

Putting in mind that there have been so many articles in the Oil and Gas Law No.22/2001 that have been stated by the Court of Constitution as non-binding, and that the Oil and Gas Law has been empirically proven as being detrimental for the state financially and as weakening the national energy security, then the most rational solution is that a Change and Restoration of the National Oil and Gas Management System is needed by discarding the Oil and Gas Law No.22/2001. A new Oil and Gas

Law must be created, based on such basic principles as: Firstly, assets in the forms of oil and gas reserves in the earth of Indonesia must be declared as being 'State-Owned' and its management must be handed to a Special State Company formed based on the Law; this can be done by changing the recent SKK Migas into a State Company.

Secondly, it is only the State, as the owner and represented by the State Company, that is permitted to conduct oil and gas mining. In the case where the State Company lacks of funding, technology, and intends to share the risks, then the State Company is granted the authority to have a contract with an investor/ contractor, both foreign and domestic one, by applying the 'B to B' model. The Government as the Policy and Regulation Holder is not involved in the contract and occupies a position above the contract. Thirdly, the State Company is obliged to maximize the State's Revenues from the Oil and Gas Sector, including, among others, in monetizing the assets or reserves. Fourthly, the State Company is obliged to fulfill the domestic needs for petrol and gas, whose prices are stipulated by the Government.

2. Forestry

The development of the forestry sector has to be done in a well-planned and measurable ways, and focusing on the achievement of the short-termed, medium-termed, and long-termed prioritized strategies. Though ever ministry and institution has already had its own strategic plan, meticulous observation and inputs still need to be given to support the program achievement.

In the context of driving the rise of the forestry sector, there are three key strategies which need to be given attention to in the next five years (2014-2019). Those three strategies are, firstly, pushing forward the development of forest plantations; secondly, developing the highly valued forestry product export market; and thirdly, optimizing the system of forestry management based on needs and local characteristics.

a. Pushing forward the development of forest plantations

The width and productivity of Indonesian natural forests keep on decreasing due to forest loggings, both through the activity of legal harvesting or illegal activities, such as illegal logging, encroachment, and other activities. Thus, the fulfillment of the needs for timber in the future can no longer rely on natural forests. In this context, the development of forest plantations is a must to ensure the continuity of timber supplies in the future times. The program of forest plantation development is actually not a new thing. The Government has initiated the development of Industrial Forest Plantation (HTI) since the beginning of 1990s.

In addition to HTI, the development of forest plantations are also implemented with various schemes, such as Community Forest Plantation (HTR), Social Forest (HKm), and Community Forest. The rise of the forestry sector can only be driven by revitalizing the development of forest plantations, as one of the ways. The growth of GDP from the forestry sector will happen if a continuous HTI investment

in various extents is implemented. Though the development of HTI is believed to be able to drive the downstream sectors, the relative increase of the contribution of the forestry sector which is directly influenced by the presence of HTI development is estimated to be between 1-2% only. If we are to expect a higher GDP growth from the forestry sector, HTI development is not enough. Such effort has to be accompanied by a collective organizing of the strategy of the use of non-timber forest produces and other *intangible* benefits, such as forest environment services.

b. Optimizing the system of forestry management based on needs and local characteristics

One of the must-do strategies to optimize the development of forestry is the application of such a management system which is based on the needs and local characteristics. The forest management based on the needs requires a flexibility in the forest management system without changing the primary function of the forest. The productivity of production forest, for instance, pursuant to its function, has to be improved as maximum as possible, so we need to be flexible in determining the types of plants and the management system. If there is a national or regional demand for the fulfillment of the target of production of certain commodities, such as rubber, coffee, cocoa, paddy, or other crops, it will be better if we open a chance to develop such crops in the forest zone, especially in production forest, with the agroforestry pattern, without altering its primary function as a forest. With such approach,

various forestry programs, such as the Community Forest Plantation, Village Forest, Social Forest, and the partnership patterns which for so long are experiencing a hiccup, will obtain bigger supports from the communities.

Recently, there are a lot of production forest areas which are not burdened over rights and this triggers encroachment due to their status as open access property for forest resources. To discipline this is not an easy task because it concerns with tens of million hectares extents and with the interests of millions of communities living around the forests. In fact, there are a lot of production forest areas which have been used (read: encroached) by the communities as plantations or other allotments. In this context, the rehabilitation of production forests cannot be carried out without looking at the reality of the land use on the field. Disciplining by the way of muzzling the plantations and flattening the people's crops and replacing them with forest plants is obviously not a wise option because it will certainly create a social conflict that is difficult to disentangle. Meanwhile, conniving this issue is neither a good step to take since it will only procrastinate the problem. The best step is to do a registration and to give the right of land use to the community and to apply such regulations which, in phases, will regulate the composition of the crops with the agroforestry pattern.

Biophysical factor is one of the most important factors which needs to be considered in determining the system of forest management. Single forest management system, such as the

TPTI which applies for natural forests and THPB which applies for forest plantations, needs to be improved by applying silviculture multi-system which enables the application of various system of forest management pursuant to the local specific conditions. In general, the TPTI system is actually good to be applied in primary natural forests and logged over areas (LoA) with minor damages. Meanwhile, the Intensive TPTI, or what is known as the intensive silviculture, is appropriate to be applied in LoA with intermediate damages. If the LoA has experienced major damages, the THPB system is the most rational choice.

More than the diversity of the application of silviculture system, a space needs to be open for the management of multipurpose forests, with an integrated planning system under the management of one management unit. With this system, then, in the future a management unit of forest management should be enabled to manage forest areas with various purposes, such as the use of natural forests, the development of HTI, the establishment of forest ecotourism, the cluster of the use of forest areas for mining purposes including the reclamation of mined areas, the carbon storage/absorption business, and the activities of restoring the ecosystem and other environment services implemented on the basis of an integrated forest management plan. Without a breakthrough of multipurpose forest management, the productivity of forest areas will still low, so that they are prone to the threat of land conversion, both done legally or illegally.

3. The national fishery

The potential of Indonesia's fishery since 1983 to 2012 had been relatively stable. There seems to be no increase of fishery potential, whereas the activities of fishery tend to increase. Several important points in the context of fish resources potential, among others, are (a) the estimation of Indonesia's fishery potential is still carried out based on secondary data, with the process of estimation towards production possibilities from various aspects; (b) there has never been a comprehensive estimation regarding the stocks of pelagic, demersal, or coral fishes in the entire regions of Indonesia; (c) the stock potentials are spread in 11 Indonesian Fishery Management Areas (FMA); and (d) the process of monitoring the potential of the national fish stocks is not yet carried out well, so that illegal use of fishery potential still happens frequently.

Indonesian fishery is designed in 11 FMAs to help ease the management of fisher according to the characteristics of the fish resources. Each FMA has a certain fish resources characteristic. The potentials of fish resources in such FMAs are, among others, big pelagic fish, small pelagic fish, demersal fish, penaeid fish, consumption coral fish, lobster, and squid. Recently, the potentials in the FMAs ranges from 276 thousand tons to 1.1 million tons per year. The distribution of such potentials is 52% in the western part and 48% in the eastern part of Indonesia.

To manage such potentials for the welfare of the people, various efforts and strategies of the development of this fishery and marine sector are needed. The fishery development strategy can include

the development of capture and breeding fisheries, and fishery industry, which can be explained as follows: Firstly, applying the agribusiness strategy in the fish catching field, namely with the cold-chain system, in managing the catch results, starting from the time the fishes are stored in the ships, fishery harbors, distribution/transportation, until the products arrive at the hands of the consumers.

Secondly, improving the capabilities and skills of fishers through human resources capacity improvement. Thirdly, providing adequate facilities supporting the industrialization of fishery. Fourthly, modernizing the armada of traditional fishers by giving a loan/capital of fishing ships having a tonnage more than 30 GT with a more sophisticated fishing equipments and equipments which can give better level of safety. Fifthly, easing fishers to access capitals through cooperatives, the foster father system, business partnership, and self-help credit services, and various governmental credit services which are not burdening.

Sixthly, improving fishing equipments, attached motor, motor boat, and fish aggregating device installation. Seventhly, revitalizing and developing fish harbors in several islands, in line with the its rapid development and strategic location, such as the Seashore Fishery Harbor or Fish Catch Landing Dock in various regions in Indonesia. Eigthly, increasing the number of supervising apparatuses to prevent direct illegal selling for fish catch abroad, or to handle illegal fishers.

In addition, the development of breeding fishery business, which in practice can take the forms of: Firstly, developing the business

diversification, so the pattern that fishers depend on fish catching will start to be directed to the breeding pattern. Secondly, sea breeding extensification, which is done by educating, training, and providing internship accompanied with giving an aid package to stimulate breeding enterprises. Thirdly, developing superior fishery commodities, such as shrimp, *patin*, milk fish, seaweed, and other land-water commodities which have comparative superiority.

Fourthly, diversifying species or types of breeding commodities, such as shrimp breeding, is better done not only by breeding tiger shrimps, but also other new species which have a high economic value, such as *vannamei* shrimps, *Penaeus merguinsis*, *P. semisulcatus*. Fifthly, providing adequate seeds (seeds self-reliance) to ensure the business of fishery production. Sixthly, revitalizing damaged and no-longer-productive breeding ponds. Seventhly, preserving the mangrove forest and coral reefs, as important habitats of marine organisms. Eightly, applying consistent and sustainable RTRW so that disruptions or interest overlapping in a certain area will not happen. Ninthly, creating a conducive business climate for the business actors, with easiness in getting permits for private parties, trainings, and stimulating aid.

In addition to the aspect of production, the processing sector also needs to be developed. For that, there are several things to carry out, namely: (a) revitalizing the industries of fish canning, fish flour, cold storage, surimi, fish meal, and fillet to become more efficient and having a high competitive power; (b) improving the added value of fishery products by increasing the efficiency of the processing

industry; (c) building up and supervising the quality of fishery products starting from the levels of producers, both fishers and fish breeders, distribution, to the end market (consumers) domestically or internationally; (d) developing and operationalizing hygienic fish markets; (e) providing the transportation facility for fishery products from the producer location to the fish consumer location (the market), such as: box cars with air conditioning system, sea and air transports; (f) focusing the industry of fishery produce processing on the development of freezing, canning, fish flour, added-value products, surimi, surimi-based products, fishmeal, and fillet industries.

Another strategy we need to win this competition is the use of the competitive superiority of a nation. As an archipelagic nation with such a wide sea, in addition to fishery, another attraction the regions have is tourism activities. Such activities can be in forms of historical tourism, cultural tourism, adventure tourism, and sight-seeing tourism, each of which has its own specific market group. Therefore, the existing various marine tourism locations will be of high-value if, in the process of their development, in addition to making use of the attraction and uniqueness of bio-resources of the local seas, we are able to create a conducive climate for tourism activities, both from the aspects security and convenience.

Thus, there are two important factors in the strategy of tourism activities development. Firstly, the internal factor, in terms of the strategy of the management of the tourism spot attractions, which is related to a range of aspects from the technical aspect, the strategy of service provision, to the marketing strategy. Secondly,

the internal factor, in terms of the support of the set of policies from the government and the creation of a conducive security climate for tourism activities.

According to Dahuri (2010), to realize such development, it has to be followed with such development steps as follow: Firstly, improving the provision of sea transport services which guarantee the safety and security of the consumers and a reliable and superior service. Such step must be supported by the readiness of reliable human resources and properly managed armada which complies to sailing regulations. Secondly, in the development of sea transports, we need to prepare and empower the human resources who own intensive marine insight, and who own adequate sailing ability, so that they can contribute positively to the realization of quality and competitive sea transportation.

Thirdly, the development of sea transports needs to be followed by sets of such legislative regulations which are applicable, anticipative, and adaptive with the development of the strategic environment, especially in the context of the implementation of regional autonomy. The sets of legislative regulations regarding sea transportation essentially cover the following aspects: sailing safety, navigation, vessel manning, sea contamination prevention, sailing economy regulation, and sailing civil law. Fourthly, the development of sea transportation business must take side with the community's economy by prioritizing the sea transportation business development to the small and medium enterprises, especially in areas in which new economic growth will be developed, such as potential small islands zone.

Fifthly, in improving the role of the private parties in the development of sea transportation, a conducive business climate must be created, such as the provision of facilities and infrastructures, permit facility, security, and the certainty of legal guarantee. In addition, in its development, this point can be realized through the partnership patterns between the content owners and the vessel owners which is carried out in a long-term contract. Sixthly, in the development of sea transportation, we need to arrange a set of policies that can drive capital provider agencies to support or fund the national sea, in terms of vessel provision, maintenance, operationalizing, and treatment.

Overview and Recommendation

Recently, the Oil and Gas Management System has been proven as being opposed to the constitutions and is financially detrimental to the state. Geologically, the potential of oil and gas resources of Indonesia is relatively immense, and according to the constitutions, these must be controlled by the state for the prosperity of the people. In the next five years, the National Oil and Gas Management System has to be altered and restored through the amendment of the constitution. It must be put back to a position pursuant to the Constitutions in order to be directed to become a source of funding, remembering that the nature of the assets or reserves is bankable and tradeable.

The Government and the House of Representatives after the 2014 General Election must be able to create a constitutional Management System to be able to drive the acceleration of the double-digit

economic growth, so that Indonesia can be a country that is great, advanced, prosperous, and respected by the world. The funds from the Oil and Gas (mining) natural resources can be used to: settle the state's debts, establish education, health, transportation, and agriculture infrastructures massively in all over Indonesia. To reduce the dependence on imported energies (crude oil, petrol, and LPG), Indonesia needs to accelerate the production of oil and gas in the Cepu Block and to optimize old fields and the construction of new petrol refineries in a more well-distributed way and not concentrated in Java island only. In addition to accelerating the petrol to gas fuel conversion. Meanwhile, to accelerate the fulfillment of the national electricity needs with a high-level reliability, Indonesia needs to immediately improve the capacity of power plants by optimizing the domestic primary energy sources together with transmission and distribution systems, including the use of nuclear energy power plant.

In the forestry sector, the sustainability of the development must obtain a serious attention. This is because forestry sector has a very important role as a buffer of life system and a determining factor of climate change, as a motor that drives the economy, as an opener of areal isolation, and as a means to create employment. Forestry industry has to be continuously pushed to stand on its feet again. This can be done, among others, by organizing the forestry regulation from upstream to downstream, by giving adequate fiscal and non-fiscal intensives to drive the development of forest plantation business, by working on various alternatives of timber and fiber producers from outside of the forest zones (for example, the use of timber and fiber from plantation rejuvenation), by developing products with character to fulfill certain market segments with high prices in the international

market, and by rebuilding the collective market system of forestry products so that Indonesia can play its role as the market leader of timber products in the international market.

The width and productivity of natural forests in Indonesia keep on decreasing, so that the strategy of forest plantation development is a must. The development of the export market for high-valued forestry products can be implemented by improving the quality and competitive power of Indonesian forestry products in the international market. This can be done, among others, by rejuvenating the machines of production and selling forestry products through a collective marketing agency. The strategy of optimizing the system of forestry management based on needs and local characteristics has to be implemented in order to improve the forest productivity and to prevent deforestation due to forest conversion legally and illegally. The strategy of optimizing the system of forestry management has to accommodate the reality of diversity, both in terms of social-economy and the biophysical condition of the forests, so that in the future we need to promote a management system of multi-purpose forests managed by one management unit, for instance: Forest Concession, Industrial Forest Plantation, Community Forest Plantation, mine land reclamation, eco-tourism, the business of carbon storage/ absorption services, and the restoration of the ecosystem with an integrated forest management planning.

In the field of fishery and marine affairs, Indonesia needs to build a conducive business climate through: Firstly, the consistency of policies so that business actors do not hesitate to do investments in regions. Secondly, business security and legal certainty such as what

the neighboring countries have. Thirdly, the removals of high-cost economy and the eradication of corruption, collusion, and nepotism practices. Fourthly, the provision of adequate infrastructures (such as roads, electricity, telecommunication, clean water, seaport, and airport) especially in the foremost and small islands zone. This can be implemented through providing development budget. The government has to give bigger budget for the development of real sectors and infrastructures directly related to the development of marine affairs, including the development of its marketing.

Fifthly, the provision of skilled human resources having high working ethics. The low-level education the workers in marine field have – for instance the fishers, most of who are only primary school graduates – can be a hindrance for the revitalization of the marine field real sector. Sixthly, the provision of the information regarding business potential and opportunity. Seventhly, the development and dissemination of science and technology for the business actors. Eighthly, monetary (the Rupiah exchange rate, soft credit service, etc.) and fiscal policies which take side with the real sectors. Monetary policies from the Bank of Indonesia, such as policies on interest rate and credit services in the marine field, can be made as a policy instrument in stimulating the development of marine industry. Then, we also need the balance of the credit allocation towards the upstream and downstream industries, so that both subsystems of marine affairs can develop more evenly.*

Chapter VI
Defense

BUILDING UP A POWERFUL INDONESIA

"Build up an army that can be the pride of Indonesian people, that can protect the independence of Indonesia, and that can guarantee the security of Indonesian people".

~ Commander in Chief General Sudirman ~

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Defense

Building up a powerful Indonesia

Defense system is an integrated unity of defense elements owned by a country both at the level of defense doctrine as the software, and at the level of personnel and Major Defense Equipment Armament System as the hardware. The essence of organizing defense system aims to ascertain the continuity of the life of the nation and state within the corridor of the Republic of Indonesia. Therefore, Indonesian defense system must be placed as one of the state's fundamental systems to be able to anticipate all threats and security challenges the nation might face in the future. In the rapid development of the strategic environment, both internally and externally, it seems that until now Indonesia has not yet figured out what type of war it could be engaging into. This causes the unclarity of concept, system, and operation on the field.

Defense System and Posture

Indonesia's defense has to be viewed in terms of two big approaches, conceptually as Indonesian Defense System and operationally as Indonesian Defense Posture. In a Defense System, there are two main elements, namely the aspect of territory and the aspect of resources. The concept of territory in Indonesian defense system divides the country's defense territory into layered defense consisting of three parts, which are the defense in the Exclusive Economic Zone (EEZ), Jurisdiction Territory (Territorial Water), and Innermost Islands Territory.

Based on the UNCLOS convention in 1982, EEZ of a country spans as far as 200 miles, measured from the nautical base line of its territory. A country has the right to benefit from the natural resources and other potentials within its EEZ. Although it is not a territorial area of a country, EEZ is part of the national interest of the country.[27] In this EEZ, a country has sovereign rights over the natural resources contained within. Thus, securing this EEZ is an essential task to do.

The Jurisdiction Territory, or the Territorial Water, is an area that spans as far as 12 miles from the outermost point of islands in Indonesia at the time of tidal towards the sea. [28] It is this area which becomes the territorial sovereignty post of a country. In such area, the concept of spatial sovereignty is something absolute and undebatable. The sovereignty meant in this matter also covers aerial spaces above and the sea and land bottoms beneath. An illegal border breach and other physical breaches towards this area is a real threat for the existence of a country.

The Innermost Island Territory is a very crucial area in the aspect of a country's sovereignty. This area spans from the seashore line to covering all land areas owned by a country. In this area, there are vital objects of a country, the centers of government, economy, and living spaces of the people. It is in this area that security over incoming threats, either internally or externally, becomes something extremely fundamental. The sustainability of the existence of a country lies on the mastery of defense and security within this area.

By observing the three-layered spatial concepts, how the defense system of a country is established could be examined. Does the country build its defense system based on continental concept, maritime concept, or archipelagian one? As for the case of Indonesia, for instance, is it the establishment of naval force aimed to form Brown Navy, Green Navy, or Blue Navy? This establishment of naval force is based on the projection of strength committed by a country on the basis of territorial concept.

As in Brown Navy, the naval force is built to safeguard the areas surrounding the coast line of a country against the coming threats. Meanwhile, as in Green Navy, the naval force is built to be able to guard the areas and counteract threats coming in the country's territorial areas (20 nautical miles). As for the Blue Navy, a country has projected its naval force establishment beyond its own territory. This is done to guard the country's national interests in the EEZ (20-200 nautical miles) or to protect a country's national interests in other regions in the world.

In terms of the aspect of resources, the defense system of Indonesia consists of human resources, natural resources, artificial resources,

and defense infrastructures which generally are categorized into primary component and secondary component. Primary component is the force having been integrated officially and managed and mobilized in the military force unity of a country. This force is then classified into three primary dimensions, namely land, sea, and air. Meanwhile, secondary component is divided into reserve force, defense infrastructures, and military draft.

Until recently, at least up to 2012, the defense reserve force of Indonesia has not yet been formed in an organized way or structured in the body of the Indonesian National Armed Forces (TNI). The process of forming reserve component is still at the preparatory stage worked on by the government through the Ministry of Defense. Other activities being carried out related to reserve component, among others, are the process of stipulating the legislative regulations, calculating the needs of the force, and calculating the infrastructures needed in its formation. This reserve force constitutes military elements which are trained and able to mobilize at any time of emergency to assist or replace the personnels from the primary component. The target number of Reserve Component force until the next 20 years is 160,000 personnels. The allocation of this number is as follows: 130,000 personnels for the Indonesian Army reserve, 20,000 personnels for the Indonesian Navy reserve, and 10,000 personnels for the Indonesian Air Force reserve.[29]

Defense infrastructures is diverse in nature. In general, the primary element of defense infrastructures consist of: Defense Industry, Transportation and Communication, Logistics (food, energy, et cetera), and Defense Research. Meanwhile, in the Military Draft sub-section,

there are two parts we can examine closely, which are 1) preparing the citizens for the interest of defense and defending the country in general followed by 2) preparing the laws for dangerous situations and a set of regulations for mobilization mechanism.

In addition to Defense System, what needs to be paid attention to is Defense Posture. In general, the outline of defense posture consists of three primary elements, namely defense force, defense ability, and also defense exhibit. Defense force in the defense posture of Indonesia can be perceived from the magnitude of force possessed by TNI, which is in terms of Major Defense Equipment Armament System and the number of personnels. At this time, TNI has 302,000 personnels, 233,000 of them are in the Army, 45,000 are in the Navy, and the other 24.000 are in the Air Force.[30] Meanwhile, in accordance with the category of *United Nations Registration of Conventional Arms* (UNROCA), Major Defense Equipment Armament System consists of seven categories of conventional weapons, namely: *Battle Tanks, Armoured Combat Vehicles, Large Caliber Artillery Systems, Combat Aircraft, Attack Helicopters, Warships,* and *Missiles*.[31]

- *Battle Tanks*: Armoured wheeled or chained vehicles with high mobility with a minimum 16.5 metric tons unloaded weight and having at minimum 75 mm primary canon caliber. In 2011, it was recorded that Indonesia had 275 Battle Tanks.

- *Armoured Combat Vehicles*: Wheeled, semi-wheeled, chained, or semi-chained armoured vehicles with a cross-country ability. Designed to accommodate four or more infantry troops or armed with integral or organic weapons with the 12.5 caliber or

rocket launcher. In 2011, it was recorded that Indonesia had 622 Armoured Combat Vehicles.

- *Large Caliber Artillery Systems*: Either canons, howitzer or artillery combining the characteristics of a canon, howitzer, mortars, or rockets with multiple-launch system which are able to destroy surface targets with indirect shooting ability and having 75 mm caliber or above. In 2011, it was recorded that Indonesia had 1132 Large Caliber Artillery Systems :

- *Combat Aircraft*: Fixed-wing aircrafts or aircrafts with a geometrical elements wing design, equipped or modified to destroy targets by using, either missiles, unguided rockets, bombs, weapons, canons, or other destroying weaponries, including aircrafts with electronic war mission, air defense destroyers, and surveillance aircrafts. The term *fighting aircraft* does not include primary training aircrafts, unless designed, equipped, or modified as explained above. In 2011, it was recorded that Indonesia had 32 Combat Aircrafts.

- *Attack Helicopters*: Rotary-wing aircrafts designed, equipped, or modified to destroy targets by using anti-armoured rockets, either guided or not, air to surface rocket, air to below surface rocket, or air to air rocket, and equipped with integrated shooting controller and target marking system for such weapon type including kinds of this aircrafts specially designated for surveillance or electronic war mission purposes. In 2011, it was recorded that Indonesia had 6 *Attack Helicopters*.

- *Warships*: Both armed surface warships and submarines for military use, with a standard weight of 750 metrical tons above or the ones with 750 metrical tons below standard weight, equipped either with at minimum 25 km-range missile launcher or torpedo of the same range. In 2011, it was recorded that Indonesia had 36 Warships.

- *Missiles*: Guided or non-guided missiles, ballistic missiles, cruise missiles able to carry warheads or destruction weapons having at minimum 25 km of range and specially designed and modified to be able to launch such missiles and rockets.

Defense capability, as part of the defense posture, is the qualitative and functional aspects of defense forces that is classified into four primary capabilities. The four components are defense capability, security capability, logistics capability, and intelligence capability.[32]

- Defense capability. Defense capability includes defending the national air space, strategic offense, and electronic warfare. The ability to defend the national air space is developed by implementing detection, observation, aerial surveillance, and protection towards all areas of the national air space. This ability is conducted by the National Air Defense Command and the air defense elements by maximizing air defense weapon system organized in each dimension.

    - The strategic offensive capability is prepared to handle 4 trouble spots simultaneously. This operation is orchestrated by the Quick Reaction Beater Troops of TNI, and strategic naval and aerial offensive forces.

- The electronic war capability is prepared to support the operation and practice activities of TNI. This war covers electronic war equipments, the human resources operating those equipments, and other supporting elements.

Indonesian defense force is projected to secure national interests. Therefore, instead of offensive and provocative in nature, it exists to effectively defend the sovereignty of the Unitary State of the Republic of Indonesia.

- Security capability. Security capability covers: *First*, the ability to observe and secure aerial, naval, and land territories, and to map border areas, foremost and remote small islands, as specially-treated regions. *Second*, the ability to enforce laws in the national naval and aerial spaces to prevent and to overcome every breach and threat endangering the national and public interests. *Third*, the ability to overcome domestic security disturbances, such as separatist movement, terrorism, armed rebellion, insurgence, piracy, hijacking, communal conflicts, and other security disturbances whose handling is implemented through military operations other than war.

- Support capability. Support capability covers: *First*, the ability to deliver supports towards the implementation of governmental functions outside military defenses, such as delivering humanitarian aid to relieve natural and artificial disasters, mass strikes, and other assistances in helping overcome difficulties experienced by the public. *Second*, the ability to conduct

compulsory basic military trainings for citizens in terms of State Defense. *Third*, the ability to empower the people as supporting forces. *Fourth*, the ability to help the non-military defense function in terms of defense logistics provision, strengthening diplomacy, state territorial surveys and mappings, national spatial structuring, defense activities, research and development of national technology and industry for defense purposes. *Fifth*, the ability to implement world peace or perform humanitarian missions at the international and regional scopes.

Intelligence Ability. Intelligence capability is the integration of these seven aspects of intelligence, namely: Human Intelligent (Humint), Imagery Intelligent (Imint), Measurement and Signal Intelligent (Masint), Communication Intelligent (Comint), Telemetry Intelligent (Telint), Electronic Intelligent (Elint), and Open Source Intelligent (Osint). Intelligence ability is developed to avoid ambush and espionage activities from opponents, supporting the process and implementation of state defense policy and strategy, and providing correct and accurate information.

State Defense Intelligence is developed within three levels of competence, namely strategic intelligence level, which is carried out by the defense intelligence agency (now implemented by the TNI Strategic Intelligence Agency); operational intelligence level, which is carried out by military intelligence agency; and operational-to-tactical intelligence level, which is carried out by dimension intelligence agency. At the defense intelligence agency level, the scope of ability developed is the ability to analyze the nine components of strategic intelligence

covering: geography, history, politics, economy, socio-culture, transportation & telecommunication, technology, biographies, and military. To make its roles into practice, the State Defense Intelligence develops an early warning system, information system, and analysis system. The scope of intelligent activity and operation includes investigation, security, and gathering, which are conducted constantly in regards to the Intelligence Cycle.

At the operational and tactical levels, the intelligence ability to develop covers: *First*, the ability to conduct investigations to detect military factors related to early warning for all levels of command of TNI, and in each dimension for military operation interests. *Second*, the ability to implement security at fields of personnel, materials, information, documents, military activities, operations, strategic national vital objects, and security provision for VVIP and VIP. *Third*, the ability to gather and form opinions in order to create intended conditions for conducting military operations for war and non-war purposes. *Fourth*, the ability to process intelligence information materials into predictions for intelligence interests, both operationally and strategically. *Fifth*, the capability to implement counter-intelligence, electronic war, counter-infiltration, and counter-insurgence. State Defense Intelligence is arranged in the organization structure of State Defense Agency, Military Intelligence Agency, and Dimension Intelligence Agency, which consist of land, sea, and air.

Additionally, defense force, as the third element of defense posture, is aimed to produce deterrent effect by prioritizing factors of threats, geographical positions, and the efficiency of available resources. For

this, the defense doctrine and strategy on the basis of the integrity of the three dimensions (land, sea, and air) become a rational option, whose operation is held by forming Defense Area Command. However, the integration concept implemented by the three forces still has shortcomings, for instance, this concept is applied only during exercises. In the future, defense force exhibit will be divided into five Defense Area Commands.

The defense force of Indonesia is aimed to secure national interests. Therefore, the defense force exhibition of Indonesia will not be offensive and provocative in nature, yet still for the purpose of effectively defending the sovereignty of the Republic of Indonesia. For that reason, the development of defense posture to build a professional TNI and to place TNI fully under the supremacy of political authority is needed. On the other hand, civil political authority is responsible for delivering full support to TNI in the efforts of strengthening its capabilities, so that TNI can perform its duties effectively and efficiently. In this context, a gradual increase of defense budget becomes important.

TNI professionalism is built through the development of defense posture implemented gradually, starting from 2012 until 2029, and is divided into four phases. The first phase is finished in 2014, the second phase will be started in 2014-2019, the third phase will commence in 2020-2024, and the fourth phase will be implemented in 2025-2029. At the second phase of defense posture development, the budget allocation for the development of defense posture in the second phase is estimated to be 2.2% up to 2.61% of the PDB.[33]

In addition to an ideal defense posture, another requirement for a professional TNI is the guarantee of the soldiers' welfare. Therefore, the phase of the 2014-2019 defense development should also be concerned on improving the welfare of TNI soldiers. The development of military defense posture can be outlined as follows [34]:

- INDONESIAN ARMY

  At this second phase of defense posture development, the Indonesian Army will continue developing the Army Strategic Command into 4 divisions and the Development of the Army Fliers (Penerbad) in serving every Military Area Command with the force of 1 squadron of light choppers, *Penerbad* Group and Army Airstrip and adding several units of transport and attack choppers. The development of the Indonesian Army's territorial power at this phase is aimed to actualize the stabilization of deterrent territorial power through the formation of Military Resort Command Headquarter, Military District Command, Sub-district Military Command, and Infantry Brigade Headquarter with its reinforcement, and Cavalry Brigade Headquarter and the new formation of Military Area Command consisting of Airborne Infantry Battalion and Raider Infantry Batallion gradually with the priority emphasized on the Military Area Command having land border with another country.

- INDONESIAN NAVY

  The development of posture of the Indonesian Navy at the Second Phase is aimed to continue the phase of improving the ability

of KRI (Kapal Republik Indonesia/Indonesian Navy) warships, Aircrafts, the Marines, and Bases. The posture development of the Indonesian Navy can be observed in the table below.

Striking Force	Submarine	3
	Light Frigates	7
	Corvette	3
	Anti-Submarine Warfare Patrol Boat	2
	Fast Missile Boat	4
Patrolling Force	Fast Patrol Boat	8
	Patrol Boat	60
Supporting Force	Landing Ship Tank	6
	Tanker	2
	Hydro Oceanography	1
	Coastal Troop Transport	2
	Patrol Minesweepers	1
	Fleet Tug	1

Source: Ministry of Defense, *Postur Pertahanan Negara 2009-2029* (Jakarta: Kementerian Pertahanan, 2007)

INDONESIAN AIR FORCE

The development of the posture of the Indonesian Air Force is in accordance to the development designed at the first phase, through the addition of Air Squadron, Radar Unit, Missile Unit, Canon Unit, Special Forces Corp (Kopaskhas), and Airbase. The posture development of the Indonesian Air Force can be observed in the table below.

Air squadron	1 Combat squadron	14 Multi-role Fighters
	2 light/medium transport squadrons	
	1 strategic surveillance squadrons	
	1 helicopter squadron	
	1 basic-training squadron	
	1 advanced-training squadron	
Radar unit	3 units of radar	27 units of radar
Missile and air defense canon unit	12 battalions of short-range PSU	
	5 battalions of medium-range new missiles	
Special Forces Corpse (Kopaskhas)	4 squadrons	
	1 wing	

Source: Ministry of Defense, Postur Pertahanan Negara 2009-2029 (Jakarta: Kementerian Pertahanan, 2007)

Pursuant to the TNI Law Article 11 Sub-article (2), the direction of defense posture development of Indonesia is prioritized for vulnerable areas, border areas, conflict-vulnerable areas, and remote islands in regards to the geographical condition and the defense strategy.[35] This is done, among others, to minimize border conflict potentials in volatile areas. To make TNI a reliable force, the defense posture development has to consider the trend of threat potentials coming from the sea and air.

The development of maritime forces is not only conducted from the aspect of quantity, but more importantly in quality, through the use of stealth and unmanned weaponry technology.

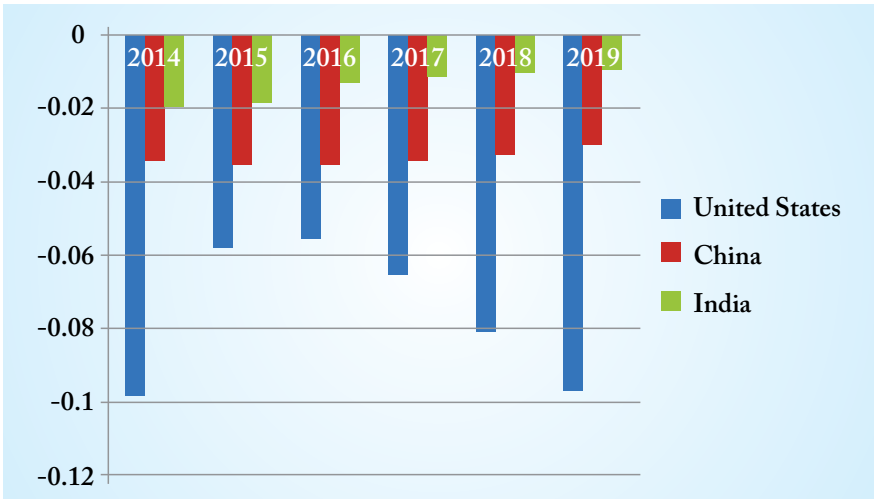
Threat Dynamics

There are several actors, state and non-state, and issues which become threat potentials or give pressure to the security of Indonesia in 2014-2019. State actors which can threat, pressure or significantly influence the security of Indonesia are the countries which for so long have strategic interests with Indonesia, namely the US, China, India, Australia, Malaysia, Singapore, and the Philippines.

Meanwhile, non-state actors identified to be able to threaten the security of Indonesia are cyber threats, situational threats, and remnants of the Independent Aceh Movement (GAM), transnational crime organizations, Independent Papua Organization (OPM), and terrorists.

Below are several graphs depicting the threat potentials or pressures of the actors towards the security of Indonesia. The line 0 in each graph indicate the status of security of the country in dealing with such threat potentials from the actors. If the graphics of an actor is above the line 0, Indonesia is safe from such threat potential. On the other hand, if the actor's graphics is below the line 0, or is in the negative number, Indonesia is unsafe from such threatening potential. The explanation related to the dynamics of threat potentials from several countries is detailed as follows:

Graphics 1. The Dynamics of Threat Potentials of the US China, and India



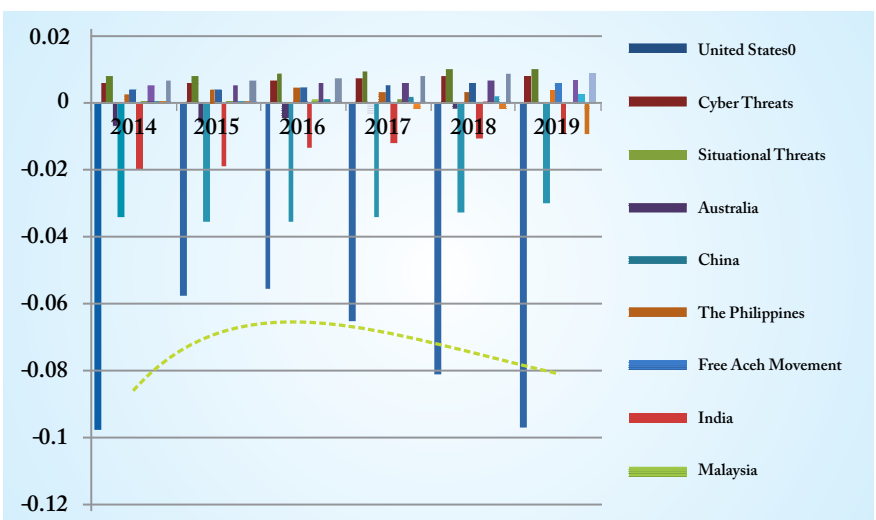
Source: These data are processed by the Compiling Team

The first thing to observe from the above graphics is that the three countries, the US, China, and India are below the line 0. This means that Indonesia is not safe from the threat potentials coming from those three. Of the three countries in the above graphics, the US has the largest potential to become a threat for national security. This prediction is based on the military force calculation of the US and its operational preparedness, especially its ability to control important dimensions of defense and territorial security, and its possession of weapons of mass destruction. Obviously, this does not necessarily mean that the US will launch military attacks on Indonesia; rather, it indicates that the US is able to control strategic points in Indonesian territory. In addition, from various aspects, the US has the capability to give political pressures on Indonesia.

The trend of the threat potentials from the US seems to be fluctuating in the next five years. Starting with very high in 2014, and then decreases quite drastically in the next two years. However, starting in 2017 until 2019, the potentials for threat or pressure given by the US starts to hike, approaching the number -0.1. This is probably related to the US endeavors to face against the increase of Chinese military forces and maneuvers at the region.

This calculation means that Indonesia will be at a very weak position when facing the US. Moreover, in an extremely negative situation, the threat presented by the US will be bigger than the other threats coming simultaneously, especially in 2014, 2018, and 2019, as described in the graphics below:

Graphics 2. Threat Map for Indonesian Defense

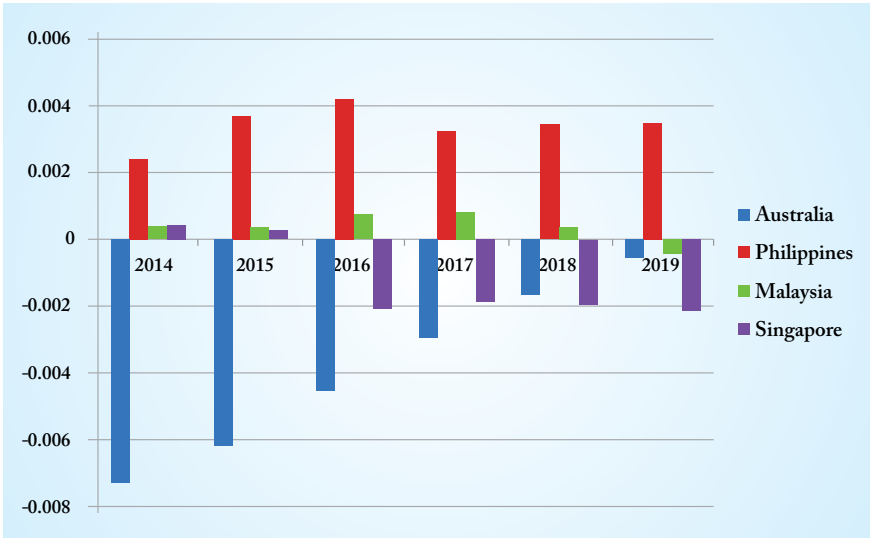


Source: These data are processed by the Compiling Team

China, the so-called "candidate for substituting the US power" shows a tendency of decreasing threat potentials, gradually from 2014 until 2019. Though China does develop its military forces, it is still much less significant than the US, especially if seen from the geographical distribution of military allocation and the alliance networks owned by the US in the world. In addition, China will tend to maintain a good relationship with Indonesia and ASEAN in general, as shown in the last several years. China also needs a strategic environment that supports its economic interests. Therefore, until 2019, the threat potentials from the Chinese side will not be as large as the strength shown by the US. Nonetheless, it is important to note that the competition between China and the US, which is influenced by the global and regional security politics, cannot be ignored. This will be analyzed further in the Analysis of Threat Dynamics section.

Lastly, India is the one whose threat potentials are the lowest, compared to the US and China. In addition, India is also showing a decreasing trend (approaching the number 0). Moreover, until 2019, the threat potentials from the Indian side are only half of what is shown by China.

Graphics 3. The Dynamics of Threat Potentials of Australia, Malaysia, Singapore, and the Philippines



Source: These data are processed by the Compiling Team

The countries in the above graphics share one trait, which is the fact that they are geographically in a close proximity with Indonesia. Based on the above graphics, Indonesia is safe from the threat potentials of the Philippines, Malaysia, and Singapore. The Philippines is the only country, of the three above, which is always above the line 0, or in other words whose threat potentials can always be faced by Indonesia.

In 2014-2018, the graphics of threat potentials of Malaysia against the security of Indonesia has a positive score. This means that, in those years, Indonesia is still safe from the threat potentials of Malaysia. Interestingly, in 2019, the threat potentials coming from

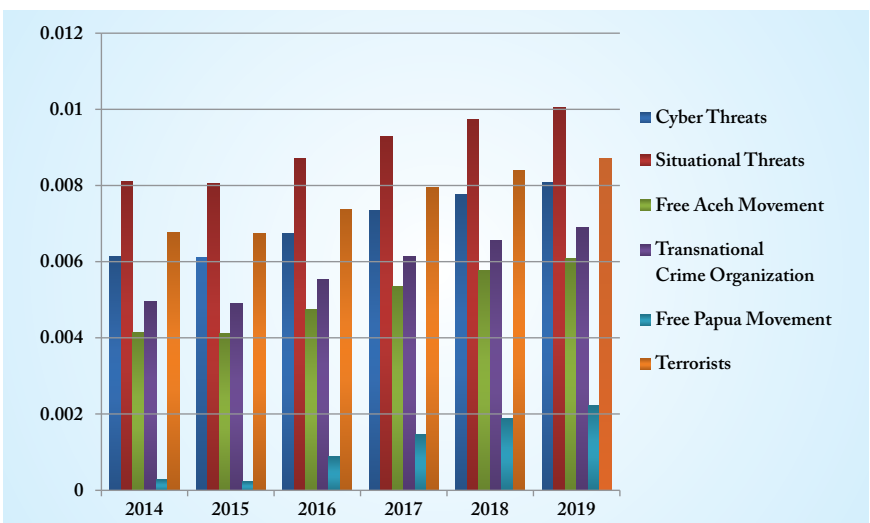
the Malaysian side is in fact a negative score. This is caused by the increase of security issues between both countries, covering issues on borders, the politics of identity, and competitions in terms of the maritime dimension. However, the threat potentials coming from Malaysia that year is not bigger than that of Singapore.

Singapore itself shows a more fluctuating trend. In 2014 and 2015, Singapore is not a threat potential that is dangerous for Indonesia. Yet, in 2016, the situation starts to change, that is, Singapore will have a bigger force. The reason for this is that Singapore will become a strong part of the US strategy in South East Asia and the Pacific Asia. In the 2018-2019 period, the threat potentials from the Singaporean side will be beyond that of Australia. This is made possible due to, alongside the fact that Singapore becomes stronger because of its relation with the US, Australia emphasizes more on non-offensive policies in the military, economic, and political sectors.

Based on the graphics above, it is obvious that Australia has massive military and economic powers, supported by the stability of its political system. However, the developing political trend shows that Australia will make Indonesia its international policy focus (being Jakarta-centric and not Washington-centric), without putting aside its cooperation with the US. As the result of this, the military threat potentials of Australia over Indonesia is showing a decreasing trend. There is a fluctuation in terms of its relationship with Indonesia due to the wire-tapping case, but Australia seems more likely to need Indonesia, both in terms of bilateral relationship and of facing regional security issues.

Unlike the previous two graphics, the following graphics demonstrate the threat potentials coming from the non-state actors. Based on the graphics above, it can be seen that Indonesia is able to overcome non-state threat potentials. The higher the score means that Indonesia has the capability of handling those threats, and vice versa. Here it can be acknowledged that the lowest security score Indonesia has is against the threat posed by the Independent Papua Organization (OPM), while the highest is against situational threats. If the trend of Indonesia's ability in facing threat potentials from the OPM is seen more carefully, it can be understood that the score is getting more positive, especially starting from 2016. This means that, from 2016 until 2019, Indonesia is safer in dealing with threat potentials coming from the OPM.

Graphics 4. The Dynamics of Non-State Threat Potentials



Source: These data are processed by the Compiling Team

The graphics above shows that Indonesia is safer from the threat potentials from the remnants of the Independent Aceh Movement (GAM) than the ones from the OPM. However, it must be put into consideration that this projection is based on the most recent condition of GAM, which is inactive because the special autonomy given by the central government to Aceh Province has been working positively in attenuating the separatist movement. Thus, Indonesia has to anticipate, or prevent, the come-back of this separatist movement due to autonomy failure, which can worsen the situation in the future.

On the other side, Indonesia is relatively more prepared to deal with natural disasters, terrorism, and cyber threats. Indonesia has had experiences and institutional development in managing natural disasters. In addition, the level of solidarity of the society in providing aid for the victims and to recover infrastructures of the public seems to be very high. At the state level, TNI and the security apparatuses are ready to assist the handling of disaster situations.

Indonesia is relatively successful in dealing with terrorism. In the future, this trend will continue along the strengthening of capacity in terrorism countermeasures on one side, and the change of methods and targets of terrorist attacks on the other. As an example, attacks on international hotels and nightclubs have been decreasing. Terrorist attacks nowadays are aimed more to places which are affiliated to certain religions (churches and mosques) and state symbols, but implemented at a small scale.

Cyber issues, which recently become the concern of the public, have

not yet been a main threat that underlies the making of security policies. The cause is that the activities of the state and the public have not been carried out wholly in an online network. This is different from the US, which already has an integrated system. A part of it being attacked means that the information from the other systems will be easily accessed and retrieved. This is why Indonesia is still safe from cyber threats. However, it needs to be underlined that cyber attacks will become serious threat and war modus in the future.

The identification of Threat Dynamics in the previous explanation displays the force threat and ability of each actor towards Indonesia. Another aspect that must be observed in analyzing threats is the strategic interaction among those actors which forms undesirable situation for Indonesia. In this section, how such interaction among actors affect the security of Indonesia will be elaborated more clearly.

1. The US - China Competition

After the end of the Cold War and the fall of the Soviet Union, many people have predicted that the international system would become unipolar, i.e. the rise of the US as the sole superpower, which bears the responsibility as the hegemony. However, the unipolar moment in fact ends quickly. The US hegemony faces challenges from new powers in the competition at the global level [36].

In the last two decades, China grows as a new power at the global level. As indicated by the identification of threat dynamics above, China will still be a country which has the most ability to get near to the power and ability of the US at the global

level. Moreover, seen from the military expenses, if the trend does not change, China will surpass the US in 2030s. In such development, the challenge for the international system is how the US, as the status-quo superpower, would respond to the increase of power and ability of China. History has shown that when a country is increasing its ability and power significantly, which has the potential to disturb the global power balance, the status-quo country or power will respond by doing the politics of balancing.[37] The strategic interaction between the rising state and the status-quo state doing the balancing would usually end in a war. Such thing happened, for instance, in the first half of the 20th century, when the German efforts to rule Europe was responded by the status-quo states, which then triggered World War I and II.

The strategic interaction between the US and China becomes more relevant for Indonesia due to the physical competition between the two in the Asia Pacific region. This region in the next several years will witness the naval force competition. China recently has already had strategic nuclear submarines and is predicted to develop its submarine forces. It is predicted that in 2016 China will already have challenged the supremacy of the American naval force in the region. China has planned the provision of 5 new nuclear submarines, 30 new attack submarines, and a nuclear mother ship. In 2011, China had launched a new mother ship. According to the Congressional Research Service, China will have about 72 modern attack submarines until 2020.[38]

Although not officially stated as aiming to respond to the increase

of the Chinese power, the US government has altered its focus of foreign policy by attempting to guarantee its presence in the Asia Pacific region. According to the Council on Foreign Relations, the direction of the US policies in the Asia Pacific covers the efforts of strengthening the traditional alliances, such as the ones with Japan and South Korea; strengthening the partnership relation with other countries in the region; managing and developing a cooperative relation with China; participating and cooperating through multilateral mechanisms in the region; developing and strengthening trade relationships, either bilaterally or via the multilateral scheme (for instance through the Trans-Pacific Partnership).

According to the Chinese government, the enhancement of its military forces and the expansion of its projection are justified as an effort to secure national interests, including the issue of territorial integrity (covering issues of Taiwan and Xinjiang) and an effort to defend its sovereignty in the South China Sea area.[39] With the Chinese government claiming over most part of the South China Sea, that particular area becomes China's defense perimeter and power projection.

On the other side, the US presence in the South China Sea is justified as its effort to guarantee the freedom of navigation in that area. The South China Sea itself is connected to the main oil trade and transportation line of the world. More than a half of the total tonnage of the world's trades per year crosses the Straits of Malacca, Sunda, Lombok, and Makassar. The amount of crude oil passing the Malacca Strait to be forwarded to the

South China Sea is six times larger than the one crossing the Suez Canal, and 17 times larger than the one crossing the Panama Canal.[40] In addition, one tenth of the amount of production of the fishery sector of the world comes from the South China Sea. As for China itself, 80% of its crude oil imports pass by this line.[41]

In geopolitical point of view, Indonesia has a good chance to play a central role in preventing and managing potential conflicts between the United States and China in the Asia Pacific region.

For the US, parts of the South China Sea which are free to be sailed by trading and military ships are a national interest and an international security interest to defend despite the huge budget consumption. This is related to the US interest in maintaining the economic growth of its allies in the East Asian region, such as Japan and South Korea. It becomes paradoxical seeing that actually by guaranteeing the freedom of navigation in the South China Sea, the US is also guaranteeing the continuity of the economic growth of China. The complex interdependence entwined between China and East Asian countries and the US makes the US also dependent to the economic growth in that region. A research even shows that approximately 30% of the US manpower sector depends on the security in the East Asian region. With such condition, the conflict potentials become so real in the South China Sea and this creates disadvantageous conditions for the security of Indonesia in the future.

Geopolitically, Indonesia actually has a chance to play a central

role in preventing and managing conflict potentials between the US and China in the Pacific Asian region. As a state located right in the heart of this conflict of hegemony, Indonesia should be able to present initiatives of security regulations that can guarantee the regional and global stability. This of course has been started through multilateral cooperation frameworks such as the ASEAN Maritime Forum and the Extended Maritime Forum, ASEAN Regional Forum and East Asia Summit, in which the US and China are both included.

The challenge in fact rises from the inability of ASEAN, as the engine of such multilateral cooperation frameworks, to direct them towards the formation of security regulation outlines which is actually contributive to the regional and global stability. This is, among others, because of its own institutional weakness, as shown in several important issues, such as the stipulation of Code of Conduct, in which the members of the association are unable to speak in the same voice, and there are still differing opinions among themselves. Some of the members are still under the Chinese influence, while some others are under the influence of the US. This condition sadly turns ASEAN to an arena for the contest of influence between the US and China, which eventually will hinder the endeavors of forming the security regulation outlines of the region and of managing conflict potentials. Given that, the challenges faced by Indonesia are: (1) actively bringing out new initiatives for conflict potentials management between China and the US and its allies in the region, and (2) multilaterally diminishing opinion discrepancy among ASEAN members and realizing the actual ASEAN centrality in the management of conflict potentials.

2. Regional competition

At the regional level, the threat against the security of Indonesia is present through conflict potentials with its neighboring countries. In the South East Asian region, one of the important issues which can trigger conflicts is territorial and border disputes. In addition to the complicated process of negotiation among the countries involved, territorial and border disputes are also influenced by the government's lack of attention in putting forward the development of border areas, either from the socio-economic aspect or from the defense-security aspect.

Border issues become important issues due to several reasons. First, border issues are related to territorial problems, which means that they are directly related to issues on the sovereignty and existence of a nation. Secondly, border areas always have strategic values. Thirdly, border areas are the foremost doors of the physical interaction with a country and of the external forces. Some countries are geographically located as such so that border issues can be managed in a more unimpeded way. Such a thing does not apply to Indonesia. Due to being located in an open area, with a sea lane providing access for international sailing, and being an intersection of international interaction, border areas become one of the threat potential sources for the security of Indonesia.

At sea, Indonesian territorial borders consist of territorial sea border, EEZ border, continental land border, and additional zone border. In such areas, the general condition happening is

the presence of sea border violations, be it by the apparatuses of the neighboring countries, their people, or other illegal activities. In addition, a number of bordering lines between Indonesia and the neighboring countries have not yet been agreed upon, for instance, between Indonesia and Malaysia regarding the EEZ borders in the Malacca Strait, the South China Sea, and the Sulawesi Sea. While Indonesia intends that the continental land and EEZ are within two different regions (different border lines), Malaysia intends that the continental land and EEZ borders are on one single line.[42]

In addition, up to the 22nd technical negotiation, the length of the Provisional Territorial Sea Boundary (PTSB) line in the Ambalat Block has not yet been agreed upon by the Indonesian and Malaysian governments. [43]Indonesia is still defending its claim on the EEZ boundary in the southern Malacca Strait and the claim over the territorial sea boundary in the eastern Singapore Strait (the north part of Bintan Island), which are still disharmonious with the claims made by Malaysia.[44] Meanwhile, with the Philippines, Indonesia has not yet agreed upon two segments of the EEZ boundary lines in the Sulawesi Sea.[45]

The EEZ boundary line between Indonesia and India has not yet been agreed on as well.[46] This causes frequent arresting of Indonesian fishermen by India and vice versa. With Papua New Guinea, Indonesia actually has an issue of sea boundary also, where both countries have not agreed on the stipulation of the width of the Fishermen's Traditional Rights area and of the forms/natures of the activities.[47] With East Timor, the issue

of sea boundary stipulation becomes more complex because it has to involve Australia in a multilateral treaty outline.[48] This is because, before establishing itself as an independent state, the determination of boundary line applicable in that particular area was made in a cooperation treaty between Indonesia and Australia, the Timor Gap Treaty.[49] Moreover, the issue of sea boundary between Indonesia and East Timor in the north part between the Ombai and Leti Straits is closely linked to the stipulation of the Indonesian Archipelagic Sea Lanes (ALKI).[50]

Furthermore, with Singapore, Indonesia has not yet agreed on the sea boundary line in the east segment II of the Singapore Strait area (the water around the South Ledge-Middle Rock-Pedra Branca), especially for the possession of South Ledge. [51] This would be a delicate negotiation because it involves three countries (Indonesia, Malaysia, and Singapore) in regards to the decision of the International Court of Justice (ICJ) over the possession of Karang Pedra Branca by Singapore and Middle Rock by Malaysia.[52] The EEZ boundary between Indonesia and Thailand in the north water of the Malacca Strait has not yet been stipulated/negotiated as well. This will cause problems of sovereign right and law enforcement in the EEZ boundary, especially the boundary for fishermen.[53] With Palau, a small archipelagic state in the north of Papua, Indonesia also has a border issue, in which the extension of fishery zone up to 200 nautical miles in pursuant to the EEZ regime by Palau will overlap the Indonesian EEZ claim.[54] The fact that there has been no maritime boundary, in

this case the EEZ boundary, will hamper marine natural resources management and law enforcement in that particular area. By so, Indonesia intends to accelerate the resolution of the stipulation of maritime boundary through negotiation.

As for land border issues, Indonesia also has a number of problems with several countries. With East Timor Indonesia has not yet agreed on the boundary line in Oecussi area, which is an ex-clave area included in the territory of East Nusa Tenggara province.[55] With Malaysia, the negotiation related to the possession of Tanjung Datu and Camar Wulan areas in Kalimantan Island is not yet resolved.[56] With Papua New Guinea, Indonesia also has an issue where the government of Papua New Guinea for several times expressed a protest regarding illegal imigrants' coming from Indonesia to the territory of Papua New Guinea, which emerges repatriation issue for the country.

As for the airspace, most of the border issues there are not a problem faced by Indonesia only. The lack of special provisions regarding delimitation of horizontal and vertical boundaries of the national airspace until now can also be a threat potential for the security of Indonesia. As for the status-quo, the national airspace is horizontally delimited in accordance to the provisions of land and sea boundaries, where the areas becoming the national airspace are the airspaces above the land and sea territories. Meanwhile, vertically, the national airspace is delimited, pursuant to the national airspace provision, from 0-±110 km above sea level, and the rest of it is outer space, as a region for international interest.

This lack of special provision regarding the regulation of air boundary often results in the fact that the airspace is determined by the ability of a certain country in benefiting from it. For example, based on the resolution of Regional Air Navigation (RAN) meeting in 1946, Indonesia is obliged to delegate its airspace control in Riau Island (including Batam, Tanjung Pinang, and Natuna) to Singapore.[57] This is because at that time Indonesia was considered unable to control its own airspace. This authority owned by Singapore is called Flight Information Region (FIR). Based on the mandate from the RAN meeting in 1946, all aircrafts, including Indonesian military aircrafts, which intend to land, take off, or fly-by the sky above Batam, Tanjung Pinang, and Natuna are obliged to inform their activity to Singapore and have to acquire a permission from Singapore.[58]

In addition, Singaporean government, on behalf of the government of Indonesia, is also given a right to collect fee or payment from all airlines flying by the FIR, including fees from Malaysian airline crossing from cities of Malaysian Peninsula to East Malaysia in Kalimantan and vice versa.[59] Based on the agreement made by both parties, some of these fees will indeed be payable to the government of Indonesia; however, the actual amount of the aviation fees collected by Singapore is of course difficult to acknowledge. Through FIR, the total width of territorial control Singapore has over the airspace of Indonesia reaches the number of 100 nautical mile (±200 km).[60]

The control of Riau Islands airspace by the Singaporean authority obviously becomes a source of disadvantage and at the same time

of threat potentials for the security of Indonesia. In addition to the aspect of economy, where Singapore has a right to collect aviation fees in that area, Singapore's control of the airspace of Riau Island can also incur threats in terms of defense aspect. Singaporean military force is known to frequently conduct military trainings in Indonesian airspace covered by FIR.[61] In 2003, the government of Indonesia has terminated unilaterally the Defense Cooperation Agreement which allows Singaporean military force to conduct military trainings in Indonesian airspace (Military Training Area I which covers the southwest part of Singapore up to the areas of Batam and Tanjung Pinang, and Military Training Area II which covers the east side of Singapore up to Natuna Islands). Yet in fact, Indonesian Radar Unit in that areas, namely the 213 Radar Unit of Tanjung Pinang and the 212 Radar Unit of Natuna, often detect foreign aircraft movements, especially Singaporean military aircrafts committing black flights in MTA I and MTA II.[62]

The discretion of Singaporean military aircrafts to fly far into the airspace of Indonesia definitely becomes a source of threats for the security of Indonesia. On the other side, the implementation of operations and law enforcement in the areas around Tanjung Pinang and Natuna both by the National Air Defense Command (Kohanudnas) via the Sector I Command (Kosek I) and also by the Indonesian Navy conducting Maritime Operation frequently faces hindrances because the airspace control of that particular area is on the Air Traffic Control of Singapore.

If concluded in general, the threats presented by the presence of border issues between Indonesia and its neighboring countries are, among others, firstly, the potential for conflicts in border areas. Each country surely has an interest to secure its own border areas, because this is related to the problems of a country's sovereignty and existence. This is implemented usually by placing military forces in border areas, be it land, sea, or air boundaries. With the overlapping claims on borders, frictions between Indonesian military forces and its neighboring countries' in border areas become highly probable. This issue, if not anticipated, can become a source of bigger conflict between Indonesia and the neighboring countries.

Second, the loss of territory due to poor management, both physically and administratively. The experience Indonesia has had from the case of Sipadan and Ligitan Islands should have taught the government of Indonesia that the management of the outermost islands through the presence of the state both physically and administratively becomes a necessity if it wants to secure border areas. In addition, several other things need to be done: institutional strengthening at the national level to handle border issues, strengthening the capacities of the government and apparatuses of the border areas, building trans-border posts and strengthening land, sea, and air patrols, developing air patrol ability, socializing to the people of the border areas the importance of the state border and the respect towards state border, and improving the level of understanding about international law provisions, be it of the central and regional government apparatuses and of the citizens themselves.

Third, the loss of natural wealth and economic resources. It is estimated that Indonesia experiences a loss up to $2-4 billions/year in the forestry sector, and $3 billions/year in the fishery sector. It is estimated that about 3,000 ships operate without permission in Indonesian water). With this, Indonesia loses $2-2.5 billions/year due to sand smuggling and $5 billions/year due to crude oil smuggling.[63] Fourth, illegal trans-border trading. Fifth, the emergence of transnational threats such as terrorism and human trafficking. Sixth, the emergence of ideological and political threats (which tarnishes the feeling of 'Indonesia-ness'). Seventhly, the weakening of state legitimation.

In addition to border issues, other issues at the regional level which have the potential to threaten the security of Indonesia are the change of the direction of regional power policies and the strategic interaction happening between those countries. The two countries to be paid attention to here are India and Australia.

Motivated by the need and the change of strategic environment, India puts more attention to the development in the Asia Pacific. Since 1991, India has been applying the Look East Policy (LEP). Through this policy, India attempts to integrate its economy with the East Asian region. This is done by bilaterally working on, the formation of Free Trade Area (FTA) with East Asian countries. The expectation is that these FTA bilateral agreements will be able to cover all countries in the East Asian region, and thus fully integrating India into the economic community of East Asia. In addition to the bilateral initiatives, politically India is also actively involved in multilateral forums such as East Asia

Summit, ADMM Plus, and ARF.

India's policy to be actively involved in East Asia incurs a problem with China. Until now, the factor of rivalry between India and China, though lessening, is still one of the important factors determining the dynamism of strategic environment in East Asia. Previously, India excluded China from the economic cooperation initiatives it made. The Bay of Bengal Multi-sectoral Technicaland Economic Cooperation and Mekong-Gangga Cooperation, regional cooperation initiatives made by India in 1990s, for instance, were designed to balance the expansion of the Chinese influence in the region.[64]

The Indian-Chinese rivalry is worsened by the fact that both countries are still involved in a border dispute. In the future, the rivalry factor between India and China will still become an important factor which shapes the strategic environment in the region, and, if not carefully monitored will cause a detrimental impact for Indonesia.

The same thing also applies to Australia, which is highly aware of the importance of Asia in the formulation of the direction of its foreign policy. Australia will become one of the increasingly important actors in the political constellation of the region in the coming years. This is by all means caused by the Australian government's awareness to engage in the political regional politics in Asia. In 2012, the Australian government released the *Australia in the Asian Century: White Paper* document.[65] In that document, the government of Australia shows its attention towards the so-

called 'rise of Asia'.[66] Based on that, the Australian government determines its vision that in 2025 the country will become more prosperous, will have sustainability, and will become an integral part of the Asian region. To make that idea into reality, one of the ways Australia takes is what it calls "building sustainable security in the region".[67]

The Australian government perceives that there are three challenges against the security in the region, namely: (1) the impact of the economic growth of Asia which triggers the increase of demand over resources and the environmental consequences it may incur, (2) the economic growth and regional power interests, especially of China and India, and (3) the activities of non-state actors. Especially in regards to China, Australia perceives that the relationship between China and the US will become one of the important considerations in the constellation of security of the region.[68]In such context, Australia sees that its roles in contributing to the security of the region will be conducted through strengthening its alliance with the US.

"We consider a strong and consistent presence by the United States in the region will continue to be as important in providing future confidence in Asia's rapidly changing strategic environment as it has in the past. We will support this through our alliance with the United States (Australia, 2012)." [69]

Australia is aware of the role of Indonesia as one of the emerging powers as well as the largest country in ASEAN. Therefore, various forms of cooperation such as collective trainings, patrols,

et cetera are prepared by the Australian government to approach Indonesia.

"As regional countries modernise their defence forces, these programs are opening up opportunities for us to pursue deeper strategic and security partnerships. We will direct increasing effort in the period ahead to the development of deeper defence cooperation, joint exercises and other forms of defence and security engagement with our neighbours, particularly Indonesia, other Southeast Asian countries, Japan, South Korea, India and China(Australia, 2012)." [70]

Australia's aspiration to get close to Asia can open a number of opportunities for Indonesia. Indonesia can benefit from a number of security cooperations offered by the Australian government. However, the way Australia poses its attitude and perception towards the relationship between the US and China still has a potential to incur threats for Indonesia. With its position as the US ally, Australia's active role in the relationship between the two major players can in fact add heat to the complexity of the regional security constellation. Moreover, Australia will focus more on developing military cooperations with the US in the Indo-Pacific area frame, which is not far from the strategic points in Indonesia.

The expansion of the security projection of China, part of which is aimed at the South East Asian region, can also trigger Australia to keep accelerating the strengthening of its defense capability and strengthening its relation with the US even more. Under such condition, Indonesia will find itself in a disadvantageous

situation between the projection expansion of the Chinese power and the Australian response, which is supported by the US. Such condition, therefore, can be avoided by, among others, accelerating the development of the defense capability of Indonesia itself, so that Indonesia can have a higher bargaining position in the constellation of the security of the region.

The development of the constellation of this region shows that economic relationships do not necessarily diminish the basic characteristics of the state to survive and compete, which brings about implications on the importance of military power establishment. Many countries are still holding on to this paradigm and the worst case scenario in the international relationships.

3. Transnational Crime

Ralf Emmers explains that transnational crime can be perceived both from the perspective of crime and the perspective of security (Emmers, 2003).[71] As an act of crime, transnational crime must be discriminated from international crime which can be handled by international laws, and be distinguished from domestic crime which only needs the hands of domestic laws.[72] A crime can only be categorized as transnational crime if it goes beyond state boundaries and jurisdictions. In other words, in the discourse of crime, such act relates to legal aspects. There are 18 categories of transnational crime, included in which are money laundering, terrorism activism, piracy at sea, human trafficking, and the trafficking of narcotics and forbidden drugs. On the other hand, if studied within the discourse of security, transnational is handled

through securitization, where the referent object being threatened is the state's sovereignty, in terms of its political, economic, and social aspects.[73]

In ASEAN, transnational crime can be viewed as a security issue (Emmers, 2003) which allows the use of diverse approaches and security cooperations in terms of its handling.[74] The ASEAN efforts to eradicate translational crime as a security issue can be seen in the making of various declarations and joint *communiques*. One of the declarations regulating that matter is the ASEAN Declaration of Principles to Combat the Abuses of Narcotics, which was adopted in Manila in 26 June 1976.[75] However, the characteristics of transnational crime and the efforts to overcome it will bring about implications towards sovereignty (the non-interference principle) which for so long is hold tightly by ASEAN. Thus, the implementation of those various declarations and documents is very weak due to the interest of national security of each countries.

For instance, Laos, Thailand, and Myanmar are the centers of narcotics production in ASEAN, the three are known as the 'golden triangle'.[76] These three countries produce approximately 60 percents of the total production of opium in the world.[77] From them, the products are then distributed through certain port cities in Indo-China, making their way to Singapore and Malaysia. In addition to becoming one of the distribution chains, Singapore is also a place for laundering money raised from opium productions of the above countries. From Malaysia and Singapore, these forbidden items enter Brunei, the Philippines, Indonesia, and then to Australia and New Zealand.

The problem becomes even more complicated when, either in the producer countries or destination countries, there is no adequate governance to overcome this threat of narcotics trading. In Myanmar for instance, some of the governmental apparatuses have been co-opted by the interest of narcotics businessmen. The same happens in the destination countries like Indonesia: several cases have been found that the governmental apparatuses are involved in narcotics trading. The creation of good governance, thus, becomes one of the prerequisites to overcome the threat of transnational crime, especially the one which is committed in the form of narcotics trading.

In its development, there is a close relationship between transnational and terrorism. The huge potentials of terrorism in South East Asia and the increasing number of narcotics trading become the reason to be alerted in terms of the threat potentials incurring from the relationship of the two. The threat incurring from the relationship between transnational crime and terrorism can be overcome by establishing good governance and implementing institutional reform at the regional level. If such efforts fail, the countries outside of ASEAN will tend to want to interfere with the handling of that particular transnational crime. For instance, Australia in several cases unilaterally and multilaterally conducted preventing actions to cut off the narcotics distribution lines to its territory.

4. Terrorism

In the last three decades, terrorist groups have been demonstrating their ability as non-state entities threatening the security of Indonesia. Since 1980s, terrorist groups have been utilizing different methods and targets, but the ones which still have symbolic meaning or value. This is viewed in several cases of terrorism as follow:

- The act of terrorism happened in several locations in Indonesia starting from 1985 until 2005 with different targets.
- In 2009, attacks were launched simultaneously towards J.W. Marriott and Ritz-Carlton Hotels.[78]
- In 2011, attacks were aimed at the Christ Cathedral Church of Serpong, and a church in Solo, and the Resort-City Police Headquarter's Mosque in Cirebon.[79]

The examples above show the decreasing trend of impacts of terrorist attacks. This results in a better projection of the security of Indonesia against terrorist threat in the 2014-2019 period. This is due to the more effective intelligent activities, law enforcement, counter-terrorism ability, and the active role of the society. However, due to its latent characteristics, it needs to be emphasized that the potential of the occurrence of terrorism will always be present, with more diverse modus operandi, either in terms of methods, forms, or attack targets.

5. Cyber

Cyber threats become a new threat issue in the security of the countries in the world, including Indonesia. In the context of international relationship which is understood as an international interaction, cyber threats occur from threatening state-authorized cyber activities (cracking and hacking). The US have for several times accused the government of China to be the actor behind a number of cyber attacks aimed at the governmental institutions of that country. One of the examples is when the Chinese military was accused to be the mastermind of a number of attacks to the US government's and defense contractors' computer systems.[80] In the annual report of the US Department of Defense to the Congress regarding the capability of the Chinese military, China was even mentioned as having been the strongest country with offensive cyber-technologies of the time.[81] China's electronic war is developed to be able to "blind" the American satellites and to push back the presence of the US military not less than 2,000 miles to the Pacific.[82] With such ability, there is a threat potential of cyber attacks authorized by the Chinese government towards the countries in the region, including Indonesia (Sanger, 2013).[83]

However, different from the US, Indonesia is still safe from the potential of cyber threat. At least, this is what the prediction says for the 2014-2019 period. The cause for this is that cyber attacks are generally aimed at the databases or centers of strategic information of a country. Meanwhile, in Indonesia, information held by the state agencies have not all been in the online world yet. There are still many of the state's crucial agencies which

entrust their information to a physical storage. In addition, if there is information stored online, the information system of one agency has not yet been integrated with that of the other. Thus, if an attack is launched towards one agency, the information possessed by other agencies will not be threatened as well. This is significantly different from the US, which as integrated all information systems of its agencies. A cyber attack committed at one point will enable the attacker to steal other information too. That is why the US, compared to Indonesia, is more prone to cyber attacks.

6. Ideology

Basically, every country in the world will be threatened by ideologies which contradict the fundamental values of the country. Another condition for such ideologies to be considered as a threat is that they are manifested into radical movements which do not acknowledge differences in terms of socio-political interaction in a plural society. If both conditions have been fulfilled – being opposed to the country's ideology and being manifested into radical movements – ideologies will become a threat to the security of the state and of the people. In other words, as long as such ideologies have not yet been manifested into a movement, or when they are still in form of fantasies, then they cannot be declared as a threat that must be faced with instruments of violence.

The development happening in the last several years has indicated the intensity of radicalization movements of some

of the elements of the society, both using religious and non-religious symbols. Radical movements can be manifested in terms of acts of destroying places considered as the symbol of the country and groups considered as being opposed to their ideologies. Such actions will result in several impacts. The first one, and the most easily noticed, is the damage to public facilities or the state's infrastructures. The party which seems to be facing losses firstly is the state, because the facilities it provides become damaged. However, the real loss is burdened on the people. This is because the state's infrastructures are built using the taxpayers' money. Secondly, the presence of group of people expressing their ideologies radically will bring about unrest situations to the people and will claim victims. In addition, radical ideological movements will also carry out 'recruitments' of the public, which causes the damage of the social capital of the society.

In Indonesia, the ideologies developing and opposing the ideology of the country and the people's stability in general roots at the deviation against Islam. One of the groups known to spread misleading Islamic ideology is the Islamic State of Indonesia (NII) and radical and terrorist movements or groups which act on behalf of a certain religion.

The NII began as a group with the name Darul Islam (DI) as a political movement proclaimed by Sekarmadji Maridjan Kartosoewirjo in Tasikmalaya, West Java, in 7 August 1949. That movement was based on an objective to make Indonesia as a theocratic state with Islam as its foundation. This is clearly against the Pancasila (the national ideology of Indonesia). *Darul*

Islam attempted to accomplish its objective by criminal actions such as robbing, stealing, defrauding, blackmailing, plundering, and other law-breaking activities. Such actions were obviously committed to fund the efforts of spreading its ideology. In addition to breaking the law, NII allegedly also brainwashed university students. There have been several cases of students missing, which are then suspected as the act of NII.

7. Separatism

a. Independent Aceh Movement (GAM)

GAM's long history started in 1976, when the Independent Aceh was declared for the first time.[84]This aspiration was aimed to challenge the government of Indonesia and to obtain its independence as the state of Nanggroe Aceh Darussalam. The aspiration was to put into reality through armed repressive resistance which then resulted in the government's declaring the province as a Military Operation Area (DOM) in 1980-1990s. Though military operation had been put into effect, GAM was not entirely eliminated. GAM kept on operating and involving into contacts with TNI.

In 2000, GAM conducted an attack for about 3 hours by launching three rockets, claiming the lives of six marines in Banda Aceh. This incident was exactly before President Abdurrahman Wahid visited that place. A series of attacks were also done by GAM in 22-23 May 2001. The attacks were launched in two different places, one was aimed at the military patrol held by TNI/POLRI in Lampeneurut Ujong

Village, Darul Imarah District, and the other was at security officers in Lhokseumawe.

Efforts on crushing GAM forces were also committed. In May 2003, President Megawati gave a permit to implement another military operation in Aceh by deploying 30,000 soldiers and 12,000 police officers. The result of this military operation is still considered positive since thousands of GAM members were killed, captured, and surrendered. TNI seemed also to be active in this endeavors, as seen in what happened in August 2004.[85] That time, TNI launched air attack towards GAM, which succeeded in disintegrating GAM forces.

Though it can be seen that attacks had ever happened in 2000s, the condition faced by Indonesia in regards with GAM is different from that with OPM. Both GAM and OPM are movements based on the aspiration to be independent from Indonesia. However, various factors have made GAM to not become such a huge threat as OPM. Firstly, the aspiration for independence of GAM is based on the particularity of The Aceh area. That province uses the *sharia* law, which is not applied co other areas. This condition makes Aceh have a characteristic that cannot be equated to all Indonesia. Nonetheless, this particularity can still be bridged through special autonomy. If compared to Papua, which is also granted a special autonomy, GAM does not refer to the promise for independence given by the Dutch or other parties, as is the case with OPM. Their reference for independence from Indonesia is the uniqueness in using the sharia law. This

difference – OPM with its intention to gain independence due to local particularity and the promise for independence given by the Dutch and GAM with its intention due only to particularity – makes its threat potential to become not as significant as that of OPM.

The solution that can be done by the Indonesian government to reduce the threat of GAM is by respecting such particularity. This is carried out by keeping the relation of the central government with Aceh via a special autonomy. Through special autonomy, the particularity in Aceh can be acknowledged and respected. In other words, there is an answer that can be delivered to Aceh, an answer that is not in terms of independence yet also does not force it to give up the *sharia* law particularism. This is related to the second factor, namely the intensity of armed contact.

Armed contact intensity between GAM and the Indonesian security apparatuses was not high. This is seen in the trend happening in recent years. If GAM wanted to show its existence, now they tend to express it through raising the GAM flag. This does not significantly threaten the security of Indonesia, since it is just a commemoration of the particularity of Aceh. In other words, what is shown intensively is sentiments over local particularity, and not by armed contact.

b. Independent Papua Organization (OPM)

The main threat of OPM is its demand on independence. This organization can threat the state's security based on

The approach taken should focus on intelligence operations, fundraising, and development, instead of combat operations we customarily carry out.

two layers of analysis. The internal dynamics of OPM is formed by several conditions. Firstly, there is a spirit to reject development and modern life. This spirit justifies why OPM does not need the government of Indonesia and the programs that all this time are attempted to be applied in Papua, leading to the demand on independence. This condition can threaten the security of Indonesia. It is because that spirit directly collides with the approaches implemented to build the sense of collectivity and the unity of Indonesia. During this time, the programs mainly focused on in Papua have been aimed to realize these two things. One of the examples of economic and modern life development tried to be carried out is the Kampong Improvement Strategic Plan (Respek).[86] If perceived profoundly, this program emphasizes on closeness with locales. This can be seen from the three areas of development, namely approach on the locales, empowerment, and autonomy. However, remembering the spirit of rejecting economic development and modern life, such programs as Respek are of no interest to the OPM.

OPM refuses aid given by the central government with an excuse that such aids are not what the Papuans want. If analyzed further, as long as the programs carried out by the central government only put emphasis on development and modernity, that will still be contradictory to the spirit

possessed by OPM. This condition can incur a threat for the national integrity of Indonesia because it strengthen the justification of OPM's demand for independence, i.e. that the central government does not provide answers for its needs. Moreover, the foundation for hopes to be able to build the sense of collectivity as one Indonesia only relies on such development and modernity programs.

Secondly, it is indicated that OPM has its own system to earn incomes by committing illegal drugs trafficking. In 31 January 2012, one OPM member was captured bringing one kilogram of marijuana in the border between Indonesia and Papua New Guinea. The product was allegedly to be sold in Jayapura.[87]

The threat potentials from OPM are not only limited to the entity itself. Furthermore, OPM has support basis from many other countries. In several countries, there are movements supporting the independence of West Papua from Indonesia. This can be seen in Australia, New Zealand, and the most recent, in England. In 28 February 2012, a regional forum named the International Parliamentarians for Papua was held in Australia.[88] In that forum, several leaders of the state from Australia, Papua New Guinea, and New Zealand were present. Compared to Australia, New Zealand is more apparent in terms of expressing its support for the independence of West Papua. In 2011, the celebration of the 50th independence day of Papua was marked by the raising of the "Bintang Kejora" flag in Auckland and Wellington. [89]

The most recent dynamics is the opening of OPM representative office in Oxford, England.[90] This act is severely criticized by Indonesia. This is understandable since it has a potential to threaten the security of Indonesia. If re-linked to the elements constituting a country, the opening of OPM's representative office in Oxford can be seen as a form of acknowledgment by England to the movement. This condition indicates that there is a sovereign country which acknowledges an entity that is inside the territory of Indonesia. In other words, the sovereignty of Indonesia itself has been disturbed. In the future, such event can disturb the security of Indonesia because it can incur pressures from outside the country.

The analysis above becomes the reason why in the prediction for 2014-2019 Indonesia is relatively un safe from the threat potentials of OPM compared to the ones posed by other non-state actors. This still applies though the potentials are still manageable by Indonesia. So long as the intention to be independent is continuously expressed, the turmoils in Papua will still be present. At the same time, the support from the mass bases abroad will keep on pressing Indonesia. Thus, the approach that should better be done is emphasized on intelligence operations, raising, and developing, and not combat operations like the one conducted during this time. This covers, for instance, gathering information related to the socio-economic needs of the people and the strengthening of institutional capacity. Policies as such aim to overcome the

root of such problems in terms of social, economic, and cultural problems which for so long enable the rising of separatist movements.

8. Situational Threat

The potential of this threat is far different to the ones resulting from state and non-state entities. Natural disasters are a threat that cannot be avoided by Indonesia. This is in respect to Indonesia's geographical position, which is located between three tectonic plates, namely the Indo-Australia and Eurasia plates which collide at the outer seas of Sumatera, Java, and Nusa Tenggara, and the Pacific plate which is in the north of Irian and North Maluku.[91] The presence of Indonesia within the heart of those three plates make this country prone to earthquakes. If a major earthquake under a shallow seabed occurs, it is highly probable that tsunami will follow.[92] Therefore, Indonesia is also vulnerable to tsunami.

The position of the Indonesian archipelago in such location makes this country vulnerable to natural disasters. Due to its unavoidable nature, the measure that can be prepared to face such inherent threat lies on its management. However, related to disaster management, the shape of the country itself is already a threat. Indonesia is an archipelagic country which will face challenges in mobilizing aid to the areas afflicted by disasters.

Natural disasters become one of the national security threats because of several reasons. Firstly, natural disasters along with

environmental damages reduce the state's capacity in providing welfare for the society. The effort of managing and recovering the condition to become normal will always consume a huge amount of money. Secondly, natural disasters can devastate the living environment, national infrastructure, and the society – which cause a decrease in terms of the ability in fulfilling their needs. Thirdly, natural disasters claim human lives. In addition to the factor of nature, disasters can also be caused by humans, especially mistakes on the life pattern, development pattern, and policies in fulfilling the state's and humans' interests.

Natural disasters have to be put into consideration in directing the development of defense, economic, social, and political powers. Japan can be an example of how a country learns from the nature and include such learnings as an integral part of its policies. To avoid or at least minimize the number of victims, measures to be taken are designing policies which are concerned with the living environment, developing special abilities to face disasters, starting from the readiness of the community, early warning system development, up to developing an emergency system when disasters happen.

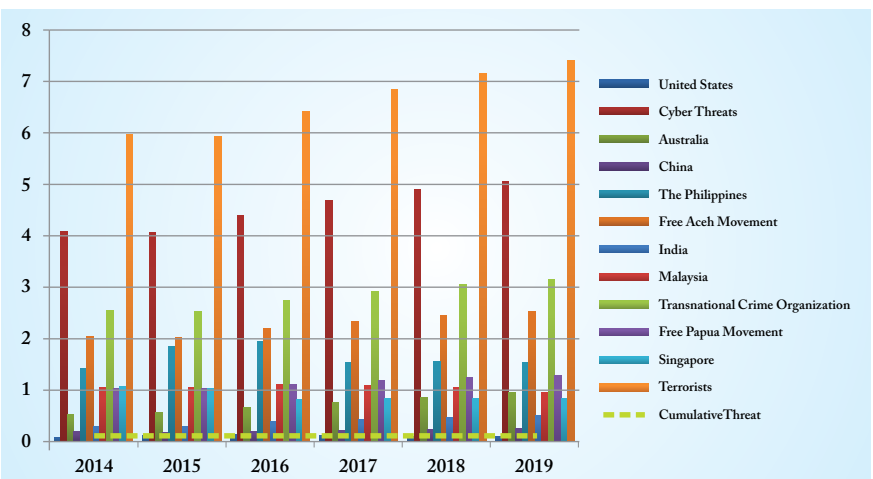
Indonesian Defense Forces in Confronting Threats

After mapping the threat potentials encountered by Indonesia, we can see how significant the resilience level of the defense system of Indonesia is in facing the coming threats. In general, Indonesia is able to tackle situational threats, such as natural disasters, very well.

Indonesia is able to face natural disasters up to 300 times. Meanwhile, the ability to handle attacks coming from other actors, either from state or non-state entities, varies, starting from being almost unable to face the coming attacks up to being able to tackle them well.

If we put aside the potential of situational threats to be able to make clear the resilience level of Indonesia in confronting other threat actors, in details the resilience level can be seen as presented by the graphics below.

Graphics 5. Indonesian Defense Forces in Confronting Threats

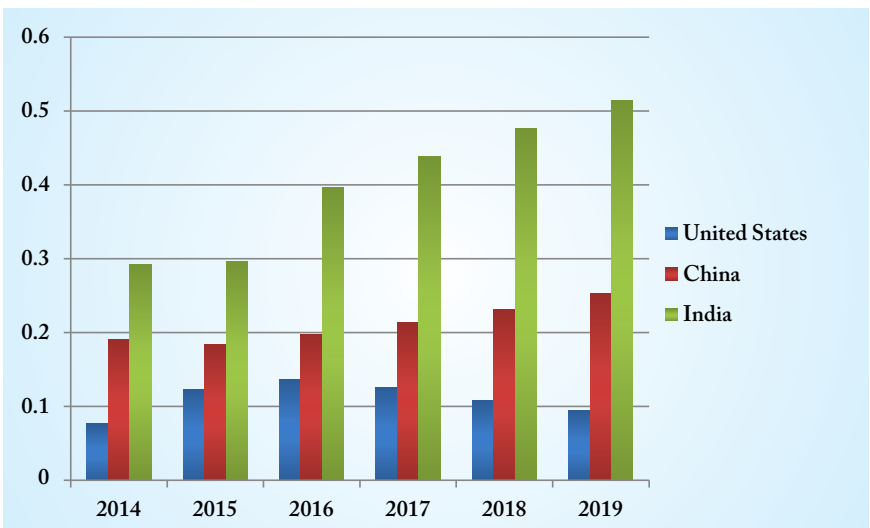


Source: These data are processed by the Compiling Team

Indonesia is also almost unable to tackle threats coming from the US. At average, Indonesia's power in 2014-2019 can only tackle one tenth of the US's. This also means that, if the US deploys its forces approaching 10 percent around the Indonesian archipelago, Indonesia needs to be cautious about it. The same thing happens if Indonesia

is faced with the threats coming from China and India. Indonesian forces in 2014-2019 can only tackle one fifth of the Chinese forces at the same years, which also means that Indonesia needs to be cautious if China deploys about 20 percent of its forces around the Indonesian archipelago. As for the threats coming from India in 2014-2019, at average Indonesia can only tackle 40 percent of the Indian forces. This also means that Indonesia needs to be cautious if India deploys about 40 percent of its forces around Indonesia.

Graphics 6. Indonesia's Defense Ability in Confronting Threats from the US, China, and India

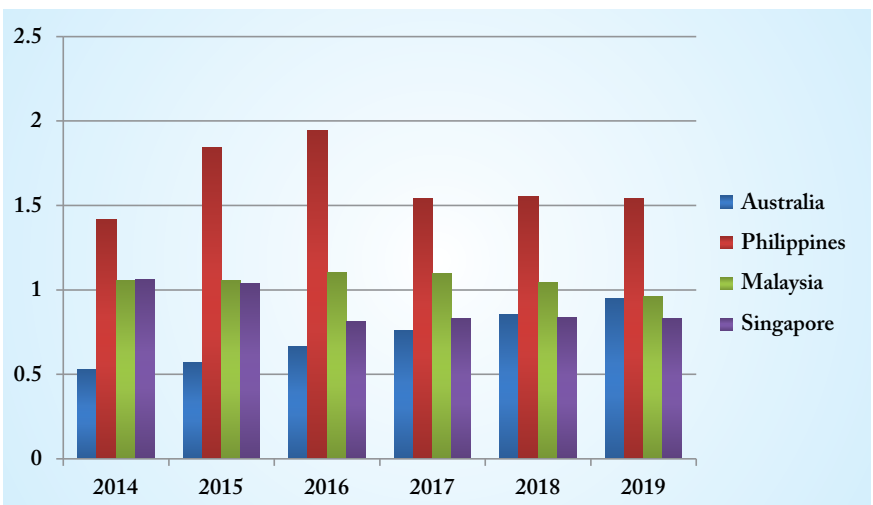


Source: These data are processed by the Compiling Team

If confronted by the Australian forces in 2014-2019, on average Indonesia can only tackle 70 percent of them. Meanwhile, as for Malaysia in the same year, on average Indonesia's force equate that of Malaysia. Malaysian force is above Indonesia in 2014 until 2018. It is in 2019 that Indonesia will be able to surpass Malaysia. However, the

strength difference is not so significant. As for Singapore, on average Indonesia is able to tackle threats from Singapore though the force disparity is not very significant. Indonesia will be able to surpass Singaporean forces in 2016 and will tend to get stronger until 2019. Meanwhile, as for the Philippines, Indonesia on average is able to tackle the Philippines' forces; however, it needs to be paid attention to that the increase of the Philippines' forces will be getting better after 2016.

Graphics 7. Indonesia's Defense Ability in Confronting Threats from Australia, the Philippines, Malaysia, and Singapore

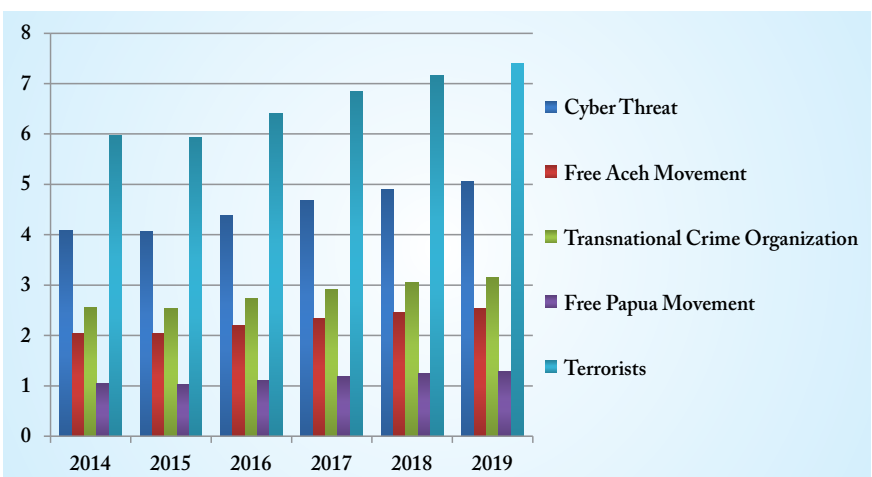


Source: These data are processed by the Compiling Team

In general, Indonesia is also able to tackle all threats coming from non-state actors. Situational threats such as natural disasters are a type of threat which Indonesia can face the most readily, while OPM is the threat actor which has a force that almost equates

Indonesia's. Though at average Indonesia can tackle the threat, the not too significant force difference makes OPM a threat actor that Indonesia has to be extremely aware of. If the remnants of GAM reactivate their rebellious movement cells, GAM will become a non-state threat that Indonesia needs to be aware of after OPM. Though Indonesia is able to tackle threats from GAM up to, at average, twice larger than the existing force, the threat potential needs to be paid attention to. Likewise, the threat potentials from transnational crime organizations, cyber world, and terrorists must also be monitored cautiously. Though in general in 2014-2019 Indonesia is able to tackle such threats, readiness becomes crucial since the threat escalation can change in a very short time.

Graphics 8. Indonesia's Defense Ability in Confronting from Threats Non-State Actors



Source: These data are processed by the Compiling Team

Overview and Recommendation

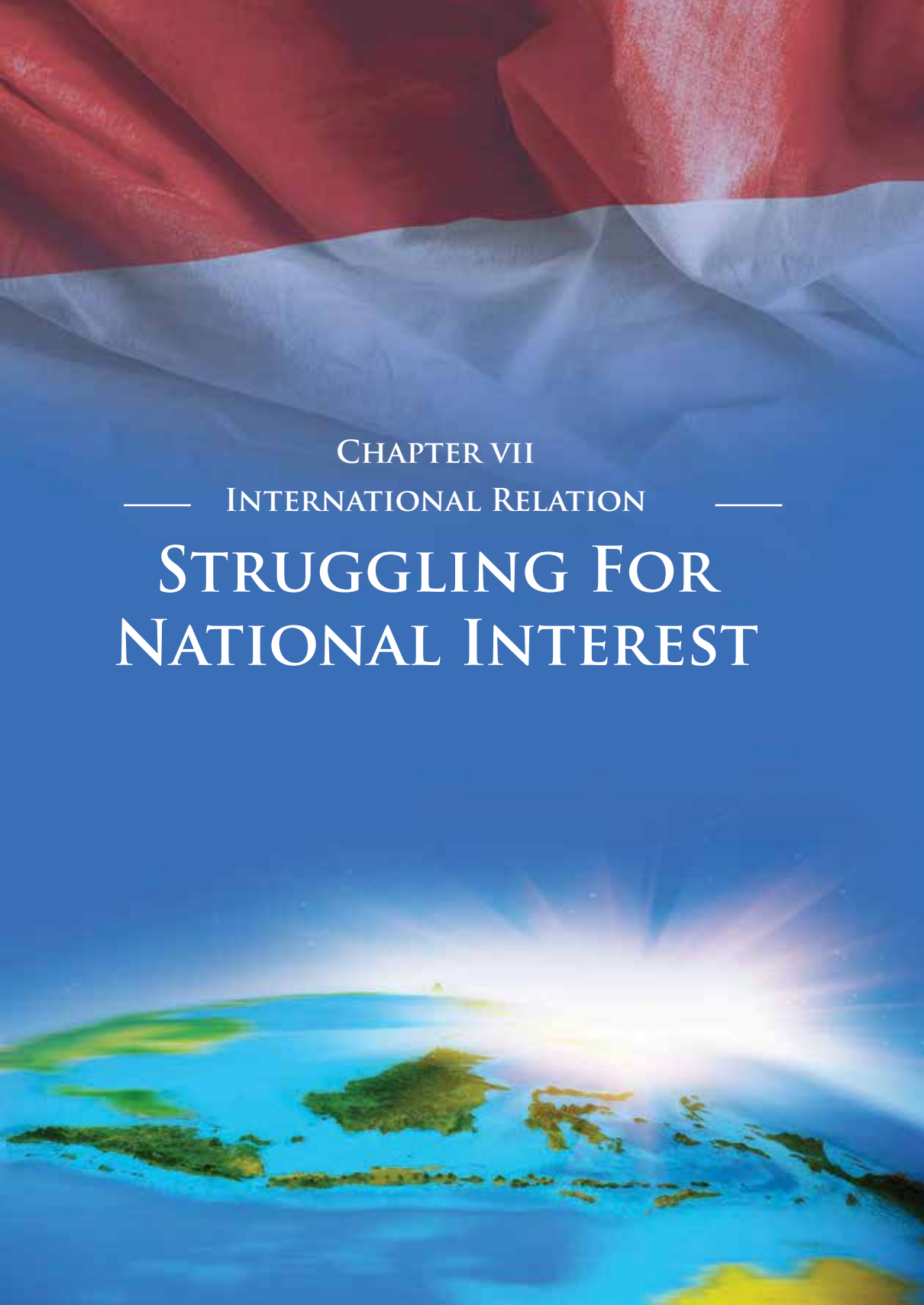
To increase the ability of the defense of Indonesia, governmental institutions have to have a uniform perception on threats. In addition, Indonesia also has to keep developing defense cooperation with various countries, not limited to joint trainings, but also defense technology transfer. Indonesia's defense cooperations to be developed in the future stay inside the frame of the country's foreign politics manner: free and active. Thus, Indonesia will avoid forming defense pacts with any countries.

In regards to budget, more funds should be allocated to build defense forces with effective and transparent procurements. Meanwhile, the espionage case the US has with several European Union countries and Australia's tapping Indonesia spark a signal that Indonesia has to be ready and anticipative towards international challenges. In other words, Indonesia has to be ready with worst case scenarios that might happen.

Indonesian sovereignty in its territories which for so long have been used by another country, such as the case of Flight Information Region (FIR), also needs to be reinforced. This is related to efforts in guaranteeing national interests in the future, which obliges the country to determine a long-term vision: to become a regional force in South East Asia. The development of the defense posture of Indonesia has to be in line with this vision.

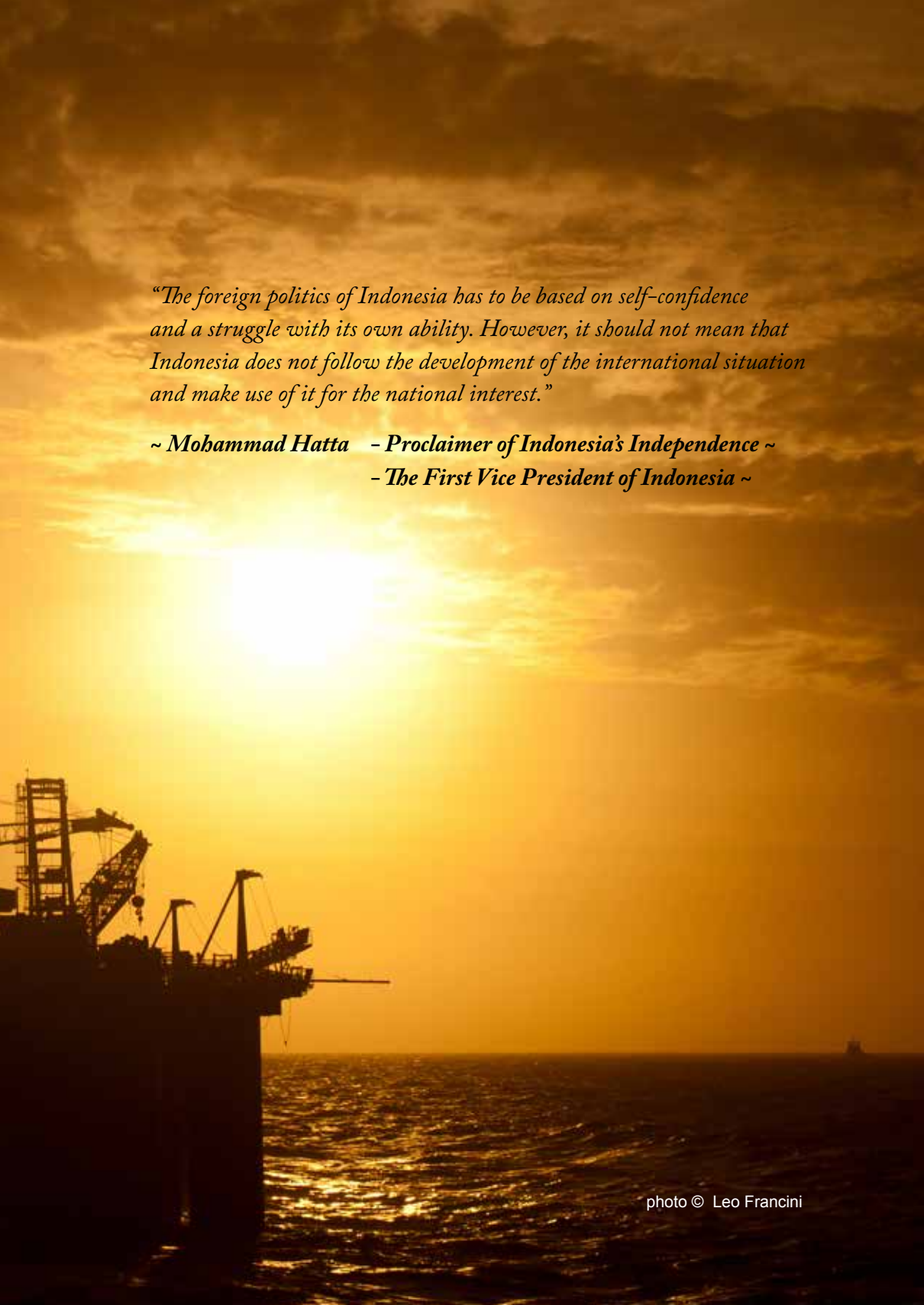
As a country which has diverse ethnic groups and cultures, seeds of disintegration can grow at any time. Thus, it is the obligation of the government to realize justice and welfare to prevent the presence of

opportunity for certain groups to exploit their conditions. Moreover, the government has to be cautious about the interests of foreign countries and forces which put the integration of Indonesia as their issue. In this context, the role of diplomacy becomes vital in safeguarding and realizing the interests of Indonesia.*



Chapter VII
International Relation

Struggling For National Interest


"The foreign politics of Indonesia has to be based on self-confidence and a struggle with its own ability. However, it should not mean that Indonesia does not follow the development of the international situation and make use of it for the national interest."
~ Mohammad Hatta - Proclaimer of Indonesia's Independence ~
- The First Vice President of Indonesia ~
photo © Leo Francini

International Relation

STRUGGLING FOR NATIONAL INTEREST

As a sovereign country, Indonesia is an independent and autonomous actor adopting the free and active principle of foreign politics. In such position, Indonesia has tried to navigate global changes with a number of adjustments and strategic anticipations. Indonesia can perform its very role because it has a foreign politics posture that is adequately recognized in the South East Asia, Asia-Pacific, and even at the global level. This posture is determined by several things, such as its geo-strategic position, its success in maintaining a good relationship with a number of countries; its active role in initiating a number of activities, either at regional or international level; its involvement in G-20; and its

dynamic and relatively high economic growth compared to the average economic growths of other countries in the world.

In addition, Indonesia is also respected because of its active role in speaking up for a number of commitments which come into attention of other countries. For examples, the commitments in reducing the green house gas emission, reducing protectionism in trading, and applying democracy in a significantly plural society. Indonesia's achievements in terms of international relation and diplomacy needs to be paid attention to by the of people in the homeland. Especially the youth who are going to take over the leaderships in various fields in Indonesia. They also need to be responsible for maintaining and developing the authority of Indonesia in the eyes of the international world.

> In the practice of world diplomacy, promoting national interests of each country in point of fact stands out. To date, such aspect currently tends to be ignored by Indonesian diplomacy practice.

Indonesian National and Vital Interest

Diplomacy and International Relation are not only to help other nations which are facing problems or to create a better world system, but also to strive for national interests. In the practice of the world diplomacy, championing national interests of each country is in fact of prominence. It is this aspect which tends to be ignored in the practice of Indonesian diplomacy this whole time.

At least there are several national interest aspects which need to be monitored in the contexts of diplomacy and international relation. Those aspects are the interests in the field of economy, of politics, of social, and of defense, which can be elaborated as follow:

1. National interest in the field of economy

The economic growth of Indonesia is indeed relatively good since its growth score is still positive despite of the drastically slowing down economic growth of the world. However, that achievement will not last if not accompanied with a sufficient planning. We see that economic growth slow-down is also experienced by Indonesia and this is not something to be trifled with. In 2011, Indonesia's economic growth reached 6.5%, but that percentage decreased to 6.23% in 2012 and it was assumed to have another fall into 5.9% in 2013. If the domestic macro economy condition is fragile, the level of economic growth of Indonesia will also be corrected.

What we need to be aware of is that the economic growth of a country is a necessary condition to achieve welfare, yet it is not a sufficient condition. The more the economy of a country is integrated to the economy at the global level, then the perception Indonesia has cannot be limited solely to economic growth. Economic growth is a consequence of dynamic economic activities. Indonesia needs to establish relations, perspectives, and institutions within itself which are sensitive towards changes happening in each era, and the change of status of Indonesian nation, or such growth will be pseudo and momentary. Indonesia's

foreign politics instruments, either those working in the Ministry of Foreign Affairs, the House of Representatives, the Presidential Office, the regional governments, or the technical ministerial offices assigned by the President, need to support the efforts of building such sensitivity.

The concrete example is as follows. In the modern world, there are markets that support the dynamic real economic activities, for instance the capital market. This is one of the essences of the integration of the world's countries' economies into the global market. There are foreign funds looking for a parking lot, with a hope to gain profits in such parking lot. Indonesia has made use of such market. It is just the way it should be since there is a certain attraction for the investors to get into the markets of new economy countries. However, Indonesia's sensitivity towards the work model of the players in such market is not good enough so that its performance in the capital market is in fact not optimal yet in supporting the economic works in real sectors.

Until the end of 2012, the capitalization of Indonesian market is at the ninth place in Asia despite the fact that the age of our exchange market is the fourth oldest in Asia after Hongkong, Mumbai, and Tokyo.[93] The growth of the capitalization of Indonesia's capital market deserves an appreciation since the growth of the Jakarta Composite Index (JCI) is at the third place in Asia after Japan and China. This means that the investors' trust towards Indonesia is relatively good, yet the basis of that performance is small. The number of companies recorded in Indonesia's share exchange is 459 companies (all of which are domestic ones), while in

The financial market is a voting machine that is independent, spontaneous, and pragmatic, not to mention cruel. Market actors decide to engage only if Indonesian political leaders, e.g. President, the Minister of Finance, and the Governor of the Central Bank are deemed credible.

India, for instance, there are 5,191 companies recorded in its capital market. In Singapore, 776 companies are recorded and in Malaysia there are 920 of them. Different from the capital markets in the neighboring countries such as the Philippines, exchange market capitalization in Indonesia is only 35%, and 50-55% of which are owned by foreign companies.

The growth of activities in the capital market demonstrates that there is a good chance to gain fresh funds to motorize the economy; yet, the risk is there too. The involvement in the capital market needs an awareness that the funds being parked by the investors are to seek for profit certainty, so that capital market goers are very much sensitive in considering the economic foundation of a country. According to the observers, financial market is an independent, spontaneous, pragmatic, as well as devilish voting machine.[94] The market players actor decide to get involved only if the political leaders of Indonesia, such as the President, Ministry of Finance, and the Central Bank Governor are deemed credible. Whether the socio-political condition is less conducive to conduct business is not of their worry.

However, if the macro economy foundation is considered as being reliable, they will keep on investing. On the contrary, if the

macro economy foundation is seen as being porous – moreover, if the country chooses to acquire so much debts – the investors' trust will decrease. It means that, in 2007 the capitalization of the Indonesian capital market had contributed 60 percents of the Gross Domestic Product (GDP),[95] the worst risk for the economic growth of Indonesia is when the investors compete to leave Indonesia due to the loss of trust and panicking.

In addition, the exchange market has not yet become fresh funds for the economy if the number of companies in the real sector registered in the stock exchange is still limited. The fact that there are a lot of foreign players entering the capital market of Indonesia is a good medium to invite even more funders (both domestic and foreign ones) to invest their capital in the real sector. This is indeed harder to do since people tend to want to "play" in the sector which is easy and swift in producing profits. In Indonesia, the reluctance of the investors to make their way into the real sector needs to be responded more sensitively as an urgency for performance and facilitation improvements in the real sector.

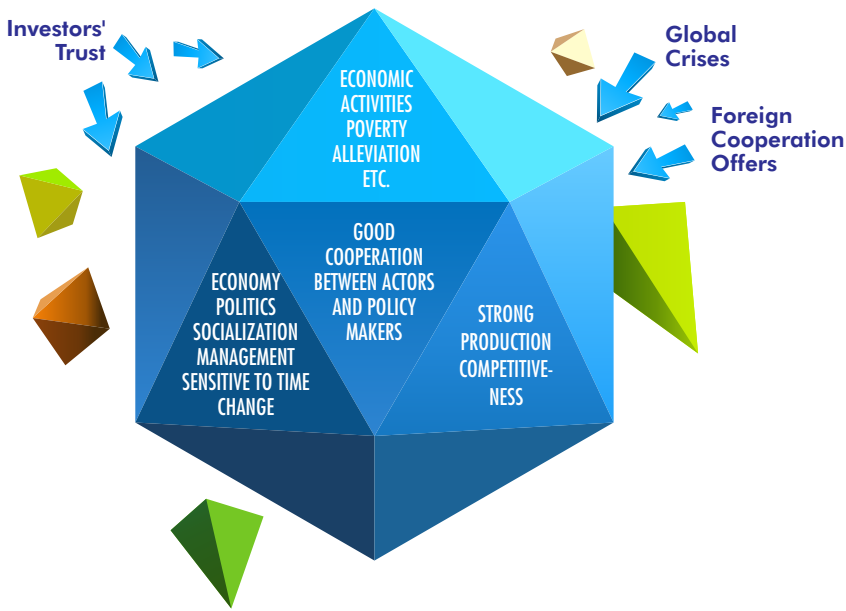
On the other side, foreign investors have a tendency to flee if the trade balance of a country is at a deficit. It means that, if Indonesia solely relies on the raw material commodities export, especially mining materials, as is being done today, Indonesia becomes highly dependent solely on global demands. If the global demands keep on decreasing, it will be difficult for Indonesia to improve its export; meanwhile, Indonesia's production is limited only to the traditional markets, both within the country and in such countries whose product demands are weakening. It means that

Indonesia's sole reliability on the export of raw commodities –particularly mining products– as practiced nowadays may force Indonesia to become highly dependent on global demand.

capacity improvement of Indonesia along with its integration to the global market needs to be supported by the government, among others by opening opportunities to non-traditional markets and by reviving the real sector so that exports in the manufacture and processing industries are maintained or improved. Here, foreign policies and strategies become very important.

A strong foundation of the economy of a country is determined by three primary things. They are the robustness of the domestic production competitiveness, the socio-political management of the economy which is sensitive to the changing times, and good co-operations between the policy implementers and the policy makers. The export and import activities may experience a deficit if it is of temporary nature, not marked by the decrease of productivity of the real sector, and supported by responsive fiscal and monetary policies. Indonesia will be more free in managing offers of free trade cooperation if such foundation is already strong. With a strong foundation, the problems Indonesia needs to be aware of becomes clearer so that the arrangement of strategies becomes easier to do. The fulcrum of a strong foundation is a thoughtful design of policies and activities.

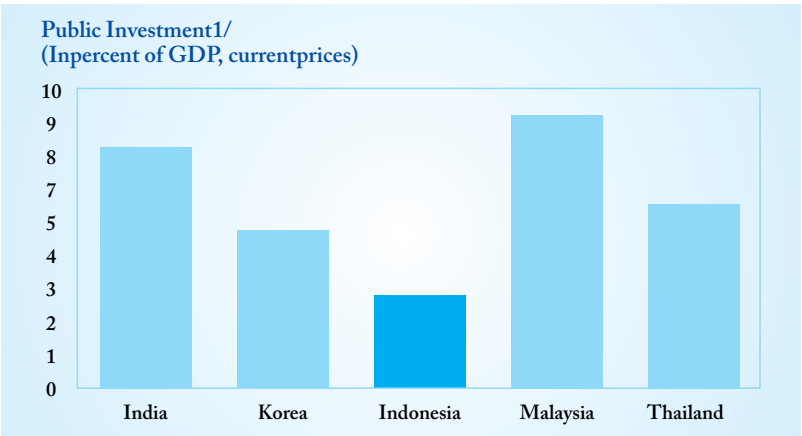
Figure 1: The Illustration of the Design of Policies & Activities


Investors' Trust
Global Crises
Foreign Cooperation Offers
ECONOMIC ACTIVITIES POVERTY ALLEVIATION ETC.
GOOD COOPERATION BETWEEN ACTORS AND POLICY MAKERS
ECONOMY POLITICS SOCIALIZATION MANAGEMENT SENSITIVE TO TIME CHANGE
STRONG PRODUCTION COMPETITIVE-NESS

Source: Dinna Wisnu, 2013

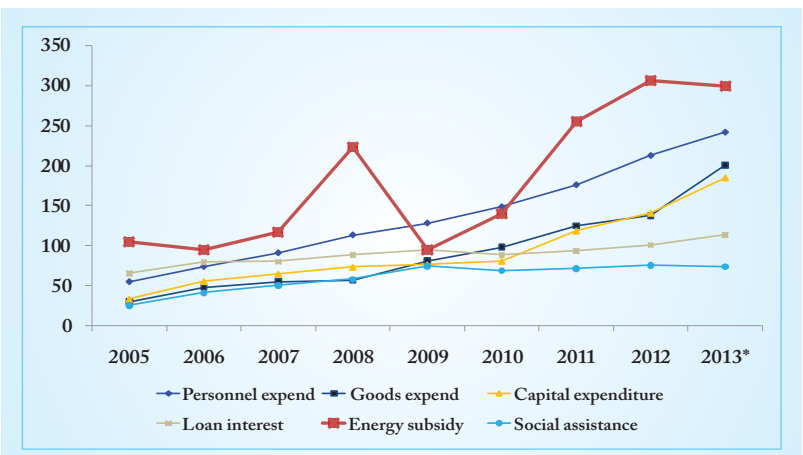
It is these three determining factors of the economic foundation of Indonesia that are still insufficient. A number of economy observers believe that the foundation of the economy of Indonesia is porous because, since 2000s, the real sector performance has kept on being sluggish. The data also show that the public investment of the government of Indonesia is far below Malaysia, India, Thailand, and even South Korea. This means that the government's role in driving the economy is weak. Moreover, the government's budget is drained due to being used for fuel subsidy, and employee and capital expenditures.[96]

Graphics 1: The Comparison of Public Investments in Several Countries



Source: Faisal Basri, as quoted from the IMF Country Report No. 12/278, September 2012

Graphics 2: The Comparison of the Government's Expenditures (in Trillion)



Source: Faisal Basri, as quoted from the IMF Country Report No. 12/278, September 2012

Meanwhile, the economy actors in Indonesia are still complaining the high-cost economy, which is caused by the overlapping and inefficient bureaucracy, stealth expenses, and patchy policies. What the government earns from taxes is still very low compared to the other countries which book such an economic growth as Indonesia, which means that the economic growth of Indonesia is driven more by the consumption.

The number of middle class people in Indonesia does increase, but most of them are 'lower end' middle class members. The measure of the middle class in Indonesia is the $2 per day consumption level, while the level of consumption of the middle class people in other countries is $10-100 a day.[97] The society's purchasing ability is still very low in general, related to the fact that 38% of wage recipients in Indonesia are those who work without contracts and that the other 54% work in informal sectors[98], most of who are in micro and small businesses. This means that the level of vulnerability of Indonesian workers can be categorized as high. Thus it is not surprising that the trading balance of Indonesia could experience so much deficit in 2013 since the average Indonesian population are merely consumers and the goods imported are indeed consumer's good.

What cannot be ignored too is the magnitude of socio-economic gap in Indonesia. No matter how high the number of economic growth at the macro level is, the fact is Indonesia is still unable to resolve the problem of structural poverty in its own land. We cannot dodge this by saying that the per person poverty number decreases because the stipulation of the poverty line is in fact

administrative and political in nature. Individual poverty number does not reflect the depth of poverty problem in Indonesia.

The data from Statistics Indonesia as per September 2012 shows that from year to year there has been no improvement in regards to the percentage of poor population in each province. Those provinces known as being poor remain poor, especially those which are in the eastern part of Indonesia. Likewise, the percentage of poor population in highly populated provinces in Java is actually relatively stable. The gini coefficient, namely the consumption gap measure, increases from 31.7 in 1999 to 35 in 2009.[99] Those who live in villages are still characterized as living poor lives. The poverty characteristics in urban and buffer areas also remain the same. This is somewhat ironic since the government, at least in President SBY's administration, claims that they have poured an immense amount of poverty management funds. We also know that foreign aid funds, including those from debts, have been channeled to poverty management programs.

This economic gap problem is also reflected in the quality of education in Indonesia, until now there is only six percent of the Indonesian population who receive undergraduate university education. Most of them are still busied by the problem of lack of money to even finish basic and intermediate levels of education. It is then reasonable that problems like cheap labors and low income from taxes arise. Though we can see the ubiquitous presence of department stores and luxurious shopping centers, the rapid development of new housing clusters and skyscrapers, and the intensive population of motorized vehicles in urban

roads, all of those are pseudo since such phenomena rest on an economy 92% of which is managed by workers and business owners with micro and small scales economy and non-contractual workers. The data from Shubham Chauduri (Panel Discussion on Economy organized by *Kompas*, 21 June 2012) reveal that it is only 2% of the workforce in Indonesia who are employers, 6% work as permanent employee with clear contracts, 38% work as wage-workers without contracts, and the other 54% run informal businesses.

If all of the data above are combined, it is clear why the economic growth in Indonesia is still a vicious circle. Imagine, high-cost economy problems still exist, where unofficial fee collection, employees offering projects to and fro, or the weak law enforcement in extractive sectors still happen. This is thus understandable since more than 90% of the population live with an uncertain socio-economic future. It is not surprising then that Indonesia finds it difficult to formalize the economy sector and revive real sector, and that the workers keep on protesting, shouting their demand for a raise, while business owners keep on rejecting that demand. It is no wonder then that the poverty level is high and the life quality of the people is low. If these situations persist, it is impossible for Indonesia to become a great country.

In the 2013 crisis, it can be seen that such economic profile makes the average population act as consumers, forcing Indonesia to import finished goods including capital goods from outside the country. This erodes the country's foreign exchange, whereas the state's income from tax is low and we want our debt to be

low too. As the result, the investors' and speculators' trust to Indonesia decreases as well. Thus, it is our currency that becomes the target. Whereas, when our monetary condition is disturbed, what the government takes as its action is increasing the interest rates, which then affects the society's pocket since the level of consumption falls down.

Indonesia needs to realize that our national interest is to end the economic vulnerability which is now developing and deepening. The trickle-down effect paradigm is obsolete, or at least it is proven that the effect has not yet happen in Indonesia. It is impossible for us to wait until the aforementioned 92% of Indonesian citizens working without contracts and being in the informal sector can get out of the economic uncertainty by themselves.

On the other side, Indonesia needs to realize that the global economy is that mired by the practice of competitive advantage is sharpening, where the government helps each other with business actors to increase the scale of production of a certain good/service, to seek for the cheapest production factors, and to push down the distribution costs so that the good/service unit produced can be competitive and attractive in the eyes of the consumers. The Indonesian government needs to realize that, though the domestic economic activities must be kept dynamic, such a huge country as Indonesia must also be oriented to the expansion of economic power to other countries, and even other continents.

Therefore, it can be identified that Indonesia's national interests in the field of economy are: Firstly, driving the domination of Indonesian products in the world's market. Our officials need to calculate realistically each time they gain cooperation offers from other countries, and not to throw themselves into a vicious competition among fellow ministries. Second, maintaining that Indonesian products are always more competitive compared to those from other countries. Thirdly, preventing acts of smuggling and illegal economic activities by keeping its sovereignty in border areas, demanding for accurate documentation from countries providing logistical services for Indonesian products, and placing law-abiding staffs supported by a tight monitoring system in border areas and the strategic-partner countries.

> The Indonesian government has to realize, despite the commitment of maintaining the dynamics of domestic economic activities, Indonesia needs to be oriented on the expansion of economic power to other countries and even continents.

Fourth, protecting the interest of growth in the micro, small, and medium business sectors to be "upgraded" and develop themselves as a part of the global value chain. The information provided for business actors must be more comprehensive and detailed so that their intention to expand their businesses to friendly countries increases. Fifth, building the trust of

investors and the governments of other countries towards the performance of the Indonesian government. This is ultimately necessary since the government of Indonesia needs to develop such fiscal and monetary policies which are sensitive to the needs of the current age. Comparative studies from the representative offices of Indonesia outside the country and the intelligence agency are sources of information which can enrich the corpus of considerations in taking decisions regarding this matter. Sixth, cultivating the courage of foreign parties to comply to the principle of development which is based on the even distribution of facilities and infrastructures to the remote areas of the country, including for fishery and agriculture sectors. With the facilities being developed, farmers and fishermen need to be directed to producing products that are highly valued in the world's market.

Seventh, speaking up to the world concerning the realistic design of sustainable economic growth, not merely with rhetorics but also by demonstrating the harmonization of land use management policy: which one is for agriculture, which one is for industrial forest, and which one is for conservation. The representative offices of Indonesia need to employ technical ministry offices and regional governmental offices to facilitate foreign parties which deserve to be offered cooperation in the country, by avoiding non-formal channels which put the government's accountability at stake. Eighth, actively monitoring the availability of energy supply with affordable prices for industrial and household purposes up to the rim lands of the country. Indonesian diplomacy must be aimed at mining

companies, energy companies, and the trend of cooperation in the field of energy, both at regional and global levels.

2. National interest in the field of politics

In the international relations front, political solutions need to be developed in resolving the tension between countries. We do not want unilateral ways of using military forces to be suggested by other countries in resolving their problems with Indonesia. Once Indonesia is put forth to the forum of the United Nations as a country that "needs assistance" due to its domestic problems, indirectly Indonesia will be known as a terrible country.

In general, there is an agreement among actors of international relation[100] that the current international condition gives a better flexibility for Indonesia so that its targets of foreign politics should be relatively easier to achieve. This convenience is formed following the transition towards democracy experienced by Indonesia since 1998 and by the fact that the civil society is now more involved in putting forward the practice of democracy and the protection of Human Rights. Indonesia is active in organizing meetings among NGOs concerning the cooperation of strengthening Human Rights protection. Likewise, Legal Aid Institution, the National Commission for Human Rights, the National Commission for Women and the National Commission for Child Protection gain significant attention from the society as places to express complaints and to seek for solutions. A number of activities which put forward the characteristics of Indonesia which respects democracy, values of diversity, Human Rights

Neighboring countries see Indonesia as a country determined in practicing democratic consolidation, including in creating a more conducive atmosphere for free press, free association, and free speech, among others, by providing opportunity for peaceful demonstration and protection of women in public spaces.

promotion, security and peace recovery, and economy recovery have become a turning point which contributes to the change of diplomacy activity. In general, these are felt more positive and also supporting the response from the international world towards the activity of international relation conducted by Indonesia.

With its political status as a democratic state, Indonesia is indeed perceived by friendly countries as being adequately serious in doing democratic consolidation, including creating a more conducive atmosphere for the freedom of press, the freedom of association, the freedom of speech by giving chance for peace demonstration and protection for women in public spaces. At the ASEAN level, for instance, Indonesia is appreciated for its role in giving birth to the ASEAN Inter-governmental Commission on Human Rights (AICHR), ASEAN Institute for Peace and Reconciliation, and managing the Institute for Peace and Democracy in Bali. At the Advisory Board for the President, there is an active sharing of practice of democracy, which is appreciated by new democratic countries such as Egypt and Myanmar.

However, the criticism that develops at domestic and international levels is also sharp, so there seems to be an indication that the

credibility and reputation of the government in democratic consolidation, especially in the inclusiveness portion (including all layers and groups of the society in democracy) is weak.

The case of rejecting the granting of the "World Statesman Award 2013" from the Appeal of Conscience Foundation in New York in May 2013 is one of the examples. The public inside the country still considers that their leader needs to pay his due, admitting that an international award should be earned by actually having the citizens to experience the reality for which that award is given. Prof. Magnis Suseno, a philosopher and religious figure, highlighted the weak protection to minority groups and the legal uncertainty in terms of the freedom of religious faith as essential items being absent in the leadership of President SBY, so that the granting of such award is taken as not in a correct place, let alone such award is given for the performance of the recipient in terms of religious tolerance.[101]

Negative notes are also given by the UN Board of Human Rights. Though Indonesia has been selected three times in a row as a member of the UN Board of Human Rights, including for the 2011-2014, in this very period Indonesia keeps on getting bad grades. It is mentioned that, though Indonesia has the commitment and instruments to promote and protect Human Rights, the mechanism for its implementation is not adequate.[102] The police is still accused as perpetrating Human Rights violation for the conduct of torture or excessive violence. Peaceful political activities, such as demonstrations, including those held by Human Rights supporter, and news coverage by journalists are

still experiencing criminalization, intimidation, physical assaults, and there is still also a hindrance in implementing sexual and reproductive rights for women.

Related to the issue of minority religious groups and the freedom of religious faith, Indonesia is urged to remove all forms of discrimination and violence experienced by minority religious groups, to increase tolerance among religious communities, to review and discard policies which are discriminative and limiting the freedom of religious faith, to ensure that statutory policies comply with the International Human Rights law, to accelerate the Religious Harmony Bill, to provide trainings for campaigning anti-discrimination for minority groups, and to take legal measures for the spreading of hate, discrimination, harassment, and violence experienced by the minority religious groups.

Such appraisal happens at the time Indonesia is seen as being heroic and spry in struggling for the rights of the people in other countries. The diplomacy done by the members of the House of Representatives, for instance, becomes a very relevant example for such heroism. Through the IPU (Inter-Parliamentary Union), the Indonesian House of Representatives delegation pleaded for Palestine to become a permanent member of the IPU, that the members of the Palestine parliament be freed from the Israeli imprisonment and blockade; even the diplomacy figures of the Indonesian House of Representatives such as Marzuki Darusman, Theo Sambuaga, and Abdillah Toha pushed the Executive Committee of IPU to bring the case of Palestine to the IPU Governing Council court and the result was as expected:

Palestine was welcome as a permanent member in the next IPU assembly in Addis Ababa, Ethiopia, in 05-10 April 2009.

If we put the fact above together with the slogan "thousands of friends and zero enemy" of President SBY and the concept of "dynamic equilibrium" raised by the Minister of Foreign Affairs Marty Natalegawa, there is one big puzzle here. What does Indonesia itself want in the global politics symposium? Just friends and global political equilibrium? What is really troubling is that adding as many friends as possible and seeking for global political equilibrium for others have the potential to just doing other countries' interests a favor. The cynical way to express it: Indonesia is just dancing over the beats of the drums played by other countries.

Based on the elaboration above, it is clear that Indonesia's national interests in the field of politics are: (a). To ensure other countries that the government of Indonesia is able and has the credibility and a positive reputation in the eyes of its people. Domestic trust and support will be read by the foreign parties as a form of the solid move Indonesia has as a nation in the global politics arena. (b). To show to other countries that Indonesia has strategies, be it short-termed, medium-termed, or long-termed, which ensure the protection of Human Rights. The criticisms from the international world need to be accepted wisely and solutions for that matter must be found. Indonesia must not let those problems go unmanaged. Indonesia, which is active in speaking up democracy, needs to be consistent in showing its commitment in resolving problems disturbing the serenity of the public in implementing the principles of democracy.

In addition, Indonesia also needs: (c). To show its commitment in law enforcement, including in terms of fighting practices of unclear and haphazard regulations, including corruption, law violation, and Human Rights violation. If Indonesia is picky in enforcing the law, not only is the credibility of the government doubted, but also Indonesia is facing the potential of being broken into pieces. Indonesia also needs to build such reputation that whoever is elected as the leader of the state will not sacrifice the national interests of Indonesia for temporary interest of other countries. (d) To support multilateral means and regional co-operations in resolving the tension between countries. From the experience of a being involved in issues of developing countries and helping countries cynically perceived by the Western countries, Indonesia can learn that the instrument of multilateral and regional cooperation is the instrument that will help in crucial times. When multilateral and regional institutions are negligent in supporting their troubled members to be able to resolve their problems elegantly and by keeping the non-intervention principle from other countries, then the chance is bigger that the country which feels that it is stronger will "play vigilantism".

3. National interest in the socio-cultural field

In the international relation, the socio-cultural issue is considered as a low issue, the issue which does not need to be paid attention to from the top leader of the foreign politics. It is assumed that the accomplishment in this field is technical. Whereas, if carefully observed, a good strategy structuring in the socio-cultural field will bring about advantages which can be felt more concretely

by the individual citizens. For instance, related to the expansion of job opportunity, chance to receive high education scholarship to renowned university outside the country, cooperation between educational institutions or research institutions, copy right acknowledgment, the development of creative industry such as design, culinary, movie, et cetera.

The foreign policy for the socio-cultural field needs a new breakthrough to strengthen the soft power. Soft power is the ability to shape other people's preference through attraction and persuasion. It means that the development of diplomacy which put forward the need in the socio-cultural field is a very good investment to make individuals in other countries be moved in supporting the agenda of our national interest without being heavy hearted. If this soft power can be run smoothly, political and economic costs in the cooperation scheme with other countries can be minimized because voluntarily the residents of other countries follow our means.

Countries with huge population such as the US, India, and China, mobilize their citizens to reach for their national interests through methods that are convenient for other countries. The format is not merely art exhibition or performance, such as what the representative offices of Indonesia keep on using, but also a demo of competence uniqueness and the creations of the children of the nation that are put into competition at the international level. Movie making is also promoted to pass through the international market. Indonesian-made products

are promoted through displays in movies or music concerts. As for the case of employment, the governments of other countries are active to attach the activity of foreign aid granting by expanding the opportunities for their citizens to work outside their motherlands and to learn the working culture and political culture in other countries.

Especially for education, Indonesia also needs to be bold in promoting the competence of universities and research institutions in Indonesia as producers of innovative ideas in the international discourse. The confidence of the children of the nation needs to be cultivated, that their works and thoughts are promoted to have a broader influence towards other countries.

Therefore, Indonesia's national interests in the socio-cultural field are as the followings: (a). Developing the initiative and works of the children of the nation through activities facilitated by the government or the representative offices which make such initiatives and works more recognizable at the global state. (b). Introducing the originality of the values and works of Indonesian people as part of the contributors of the new civilization of the world. (c). Developing the activities which strengthen the use of soft power in Indonesian diplomacy And (d). Promoting the competence of educational institutions in Indonesia to the international world.

4. National interest in the field of defense

In the field of defense, Indonesia's posture is deemed as doubtable. In many occasions, the government is considered to be relaxed in

guarding the foremost areas in the Republic, let alone the territorial waters. Studies have shown that in reality there are a number of policies on the management of border areas and territorial waters, but the obstacles lie on the weak cooperation among the authorized governmental agencies, especially between the regional and central governments, on the fact that there is an indication about transnational crime mafias which hound the security in border areas, on the fact that there is a lack of supporting defense facility such as radar and agile ships, and on the fact that there is a lack of budget to fulfill the needs of the guarding staffs.[103]

> While China and India are very protective of their border regions, Indonesia has not even possessed proper documentation on current condition of the leading regions in the country.

This contrasts significantly with China and India, for instances, which are known to be very much protective towards their border areas. They are not reluctant to confront anyone proposing a challenging claim. Conflicts rooting from these two countries cannot be seen trivial. In the beginning of July 2013, when the Ministry of Defense of India would visit China, the Deputy of the General Director of the Military Research Department in the Chinese Armed Forces said that India should be careful in words and actions since India is the only country in the world which explicitly claims that the development of its military forces is based on the military threat posed by China.

That statement was aimed to India, which was considered excessive in responding the Chinese military activities in the India-China border in Himalayan mountains, namely between Jammu and Xinjiang, and Anurachal Pradesh. Previously, the Indian government claimed that China had trespassed up to 20 km to the area claimed by India. India's confronting attitude towards China is actually not entirely unique because in history shows that China has always had problems with its neighboring countries sharing border areas with it. There are Vietnam, the Philippines, and Indonesia in the South East Asia, and also India, Taiwan, and Russia, to mention some of them. The intensity of the problem is different one to another, but China is indeed very much protective towards its border areas and often uses the component of history as its border areas.

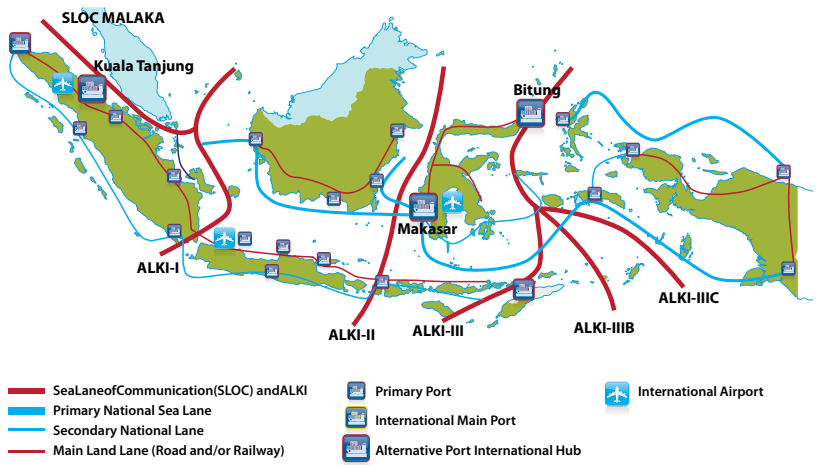
Meanwhile, Indonesia has not even had adequate documentations over the most recent conditions of the foremost areas in the homeland. Dr. Makarim Wibisono, the General Director of Foreign Economic Relation in the Ministry of Foreign Affairs of the Republic of Indonesia (2000-2002) and the Director of the ASEAN Foundation (2010-2013) states that the Indonesian Archipelagic Sea Lanes (ALKI) areas are not fully respected by neighboring countries. Australia, for example, in urgent situations can decide to just cut off the Indonesian territorial water lanes from the East to West without caring of the cross lanes determined in ALKI.

Prof. Dorodjatun Kuntjoro-Jakti, the Coordinating Minister of Economy of the Republic of Indonesia in the President

Megawati Sukarnoputri's administration, even stated that ALKI in the Eastern Indonesia is very much vulnerable to be passed through by submarines crossing without permission, due to its condition as a deep sea area and Indonesia has not yet had high-tech instruments to detect breachers of its sovereign territories. This is confirmed as well by Brigadier General Jan Pieter Ate, the Director of International Cooperation in the Ministry of Defense of the Republic of Indonesia. Indonesia until now has just had 2 submarines, and they are not the most sophisticated ones so they cannot reach down to the deep sea. The presence of Indonesia is still on the shallow sea borders, which are mostly passed through by commercial ships. Brigadier General Ate admits that Indonesia has serious limitations in terms of guarding the maritime areas and until now the budget problem is still the most significant cause for this issue. If Indonesia intends to add its submarine armada, the purchasing of other defense instruments has to be pended and it must be prepared to add the number of defense workers.

Actually, Indonesia has had a number of regulations concerning sovereign territory, namely the Governmental Regulation No. 6/1996 on Indonesian Waters, the Governmental Regulation No. 37/2002 on the Rights and Obligations of Foreign Vessels and Aircrafts in Implementing Their Right to Cross the Archipelagic Sea Lanes, and the Governmental Regulation No. 38/2002 on the List of Geographical Coordinate of Points of Base Lines of the Indonesian Archipelago. The Geographical Picture of ALKI is as listed below.

Figure 2. The Geographical Picture of ALKI



Remembering the importance of safeguarding border areas and crossing areas in the Indonesian waters, Indonesia needs to concentrate more on the entering points at the ALKI lanes. High-tech instruments and weaponry need to be placed in areas that is prone to infiltration; not to open a confrontation with the infiltrators because it will be counter-productive the national interest of Indonesia, but to lead those who for so long are not compliant to the regulation to pass through the determined lanes. In addition, ALKI also has a strategic aspect Indonesia needs to consider since what pass through those lanes are not only legal products such as crude oil and goods, but also weapons, wastes, and forbidden drugs.

It needs to be clarified as well that defense and security cannot rely on weaponry alone because obviously that would be costly and there is no certainty that that method would be effective.

Thus, defense and security have to be synergized to the activities of the people living in the near-most areas. In the condition of conflict, those who have the interest of guarding the security of their living environment are the local communities. That means that the involvement of the society is really crucial to keep the efforts of safeguarding the border areas running effectively and peacefully.

By so, Indonesia's interests in the field of defense and security are as followings: (a). Guarding the border areas and protecting them in a meticulous and integrated way.(b). Managing the foremost areas of the Republic of Indonesia by organizing patrols and community activities so that the defense posture and security of Indonesia are respected and the management of the community's livelihood sources in strategic waters is optimized. (c). Developing cooperations with other countries to ensure that the security of the border areas be free from transnational crime. (d). Equipping defense and security facilities, including rejuvenating the defense and security equipment owned by the armed forces, police, and instances guarding the border areas of Indonesia. (e). Tending to the emergence of experts in the fields of maritime management, international laws, and border areas. (f). Involving the community in the border areas in implementing the defense and security tasks.

In addition to the national interests mentioned above, there are also vital interests or firmer interests that may not be violated, both by other countries and by Indonesian citizens themselves. Such vital interests must be really understood by all citizens,

let alone those involved in the international relation and diplomacy. Different from the national interests whose ways to be achieved can still be done in several alternatives considering the atmosphere of the diplomacy, the vital interests are rigid and not to be bargained. They are like a boundary which, if breached, will trigger war or strict sanction.

Based on a series of discussion in composing of this report, at least Indonesia has 2 vital interests that have to be seriously guarded in the near future: Firstly, the national and territorial integrity. Indonesia has fought hard to gain the international acknowledgment over its maritime areas. Indonesia is accepted as an archipelagic state, a concept that did not exist before. Because of this struggle in the UNCLOS (United Nations Convention on the Law of the Sea), the territory of Indonesia which was 2 million kilometer per square area can add up to 8 million kilometer per square area. And because we are located above the tectonic plate, each time a tsunami occurs, the territory of Indonesia will grow at least 4,000 km per square are. This is the wealth of Indonesia. This is the country's achievement that needs to be seriously guarded. As for Natuna, we have been negotiating with Vietnam for 25 years. Therefore, we may not let China catches us off guard.

Secondly, demography and the socio-cultural concerns. Indonesia is a country that the world recognites for its demographic and socio-cultural richness, so this needs to be utilized seriously. Indonesia's involvement at the international level may not compromise the Indonesian people and the richness of the socio-

cultural values that for so long have been the 'glue' and amplifier of the development in

Indonesia down to the most remote areas. The problem now is that we are facing such issues as human trafficking, narcotics smuggling, guns smuggling, terrorism networks, illegal mining, and the eviction of customary lands by foreign interests. These are examples of violation of Indonesia's vital interests and these must be stopped. We also need to be aware that other countries use a variety of ways to do an infiltration so that our supervision over such vital interests be loosened, for examples, through the activities of NGOs which are actually run by the governments of other countries. KGB and CIA have such institutions, so that Indonesia must be sensitive on types of non-governmental organizations developing in the country.

Weaknesses to Improve

Whatever the chances, challenges, and threats in the international world, one thing that can be a very good capital is the actors and institutions that are solid yet sensitive towards the needs of the age. For that, before we talk about chances, potential challenges, and threats for the next five years, the internal conditions of the players and policy makers of Indonesian foreign policies need to be highlighted.

1. The design of the foreign politics.

The design of the Indonesian foreign politics at this time, it must be admitted, is more likely to be reactive rather than anticipative

and visionary. Based on the interviews with a number of actors of international relation in the Ministry of Foreign Affairs and the observation on their activities, the point of view in implementing the tasks is: seeing how other countries will do or say, and then afterwards Indonesia will determine its attitude on that matter, and do a post-facto reaction. In the international forums, the average Indonesian diplomats have limited preparation before the trials and they just read the situation when present in the court room. In the representative offices of the Republic of Indonesia, especially in such areas where there are numerous migrant people from Indonesia, the attention of all Indonesian diplomats are directed to the consular services or the protection of the migrant workers. So, it is just the technical and routine tasks that consume most of the energy of the staffs.

This lack of clear design is also felt by the directors in the Ministry of Foreign Affairs of the Republic of Indonesia, who admit that they have no guidelines over what actually is the interest of Indonesia in a region. The directors who feel that they need such guidelines then have the initiative to create their own and usually it is centered to the protection of migrant workers or Indonesian citizens outside the country. Things related to the economic political interests cannot be stipulated authoritatively since their level of position is "just" director.

With the absence of such grand design, staff recruitment and the allocation of human resources do not fit the needs on the field. Indonesia's representative office in Malaysia, for instance, admits that it is so bothered by the piles of administrative desk-

job related to Indonesian Migrant Workers service and to legal service when Indonesian workers are in trouble with the law in Malaysia. This is, among others, because of the fact that there is no long-term vision related to the presence of the Indonesian Embassy in responding to the problem form Indonesian migrant workers. This is highly contrasting with Malaysia, which has already prepared itself to become a place for the workforce market from the South East Asian region to the whole world. Malaysia does not have an adequate force of workers, but it is ready to pick up benefits from its neighboring countries which experience an excess in terms of the number of workers.

2. The institutionalization of the foreign politics.

In terms of law, Indonesia has the Law No. 37/1999 on International Relation. There, a number of items that needs to be raised to the attention of all parties are emphasized: Firstly, the President is the party having the authority to organize the activity of international relation, and whenever necessary the President will delegate such authority to the Minister of Foreign Affairs. If there is another ministry appointed by the President, the Minister will have to consult and coordinate with the Minister of Foreign Affairs. Secondly, there is a possibility that other actors such as the regional governments, governmental instances, enterprises, political organizations, community organizations, non-governmental organizations, and the citizens of Indonesia in general to be involved in the international relation. The relation and communication line are indeed not clearly depicted in this Law, though it can be assumed that, remembering the first point, all things have to refer to the consultation and coordination with the Ministry of Foreign Affairs or the President.

Thirdly, the activities of international relation need to be dedicated to the national interest with the free and active principles. Fourthly, the free and active principle is essentially not a neutral politics, but it is a foreign politics that is free in determining the attitude and policies towards the international problems and not binding oneself in an a priori to one of the world's power, and actively giving contributions, both in terms of thoughts or active participation in resolving conflicts, disputes, and other problems of the world, for the sake of the realization of world peace based on freedom, eternal peace, and social justice. Fifthly, the dedication for the national interests is the foreign politics applied to support the realization of the national objectives as mentioned in the preamble of the Constitution of 1945.

Sixthly, the diplomacy should describe the identity of Indonesian diplomacy which is not just routine in nature, but also able to take non-conventional means, not always bound to the protocol customs, but not ignoring basic norms in the etiquette of international diplomacy. Indonesian diplomacy should be equipped with firmness in terms of principles, assertiveness in terms of attitudes, flexibility and rationality in terms of approach, and should rely on self-confidence. Seventhly, Indonesian diplomacy seeks for harmony, justice, and compatibility in international relation, avoids confronting attitudes and power politics, contributes to the resolution of various conflicts and problems in the world, by increasing the number of friends and decreasing the numbers of foes.

In the practice of the international relation, in fact, there are a number of evaluations about the realization of international

relation as is plotted in the Constitution. Based on the evaluation of the implementation of the international relation for the previous 10 years, it is true that the President is the holder of the highest international relation authority. Almost in all occasions of international gathering, the President handles them himself. The Minister of Foreign Affairs seems to be involved only in the follow-up, as an opener, or a complement. A number of other ministries are given huge authority by the President, concerning the negotiations with foreign parties in the field of economic development, for examples, the Ministry of Trades, Coordinating Agency for Capital Investment, the Ministry of Industry, and the Ministry of Defense. However, the level of coordination and consultation happening between the ministries that have been given authority and the Ministry of Foreign Affairs tends to be just a formality only or even no coordination and consultation at all. In addition, there is no inter-ministerial synergy and no synergy between those ministries and the special staffs of the President and Vice President, such as the UKP4, TNP2K, the Advisory Board for the President, Special Staffs of the President for the field of Politics, Special Staffs of the President for the field of International Relation, Special Staffs of the President for the field of Economy, Special Staffs of the President for the field of Food, and many more.

If the design of foreign politics of Indonesia is clearer, this problem of coordination will not present an excessive negative consequence. Indeed there have been efforts to create such grand design, such as the Master Plan for the Acceleration and Expansion of the Development of Economy Indonesia

(MP3EI) and the Master Plan for the Acceleration of Poverty Alleviation of Indonesia (MP3KI), but such plans look odd on the paper since their scale of priority are still invisible, and there are no guidelines about what the forms of cooperation or ways of policy that must be built to achieve such priority are. It is only the output and time targets that are outlined, the rest of it is unclear. Without such grand design, it is hard to imagine that the actors of diplomacy have a guide regarding what Indonesia wants. Just like what repetitively is said by a number of parties in the Ministry of Foreign Affairs: Indonesia knows enough about what it does not want, but it never knows about what it wants.

In the practice of diplomacy, indeed there is a space for "city diplomacy", or the relation between the regional governments and the government of another country, but the consultation space with the central government is very clear. In Indonesia, such task division needs to be clarified. The authority of the regional government should be very much limited, especially if it relates or is influential to the national policies. In Indonesia, there have not been such ethics and regulations for this matter.

It is then natural that there have been various responses from the regional governments regarding the relation with foreign parties. Some are more active than others and some interpret for themselves the roles of the regions in the politics of the global economy. This is a normal thing of the process of democracy and regional autonomy consolidation. We cannot expect a uniformity of perceptions. What needs to be regulated is the allotments

of the regional involvement in the sectors which relate to the livelihoods of many people. This is what is still vague in Indonesia.

In addition, within the Ministry of Foreign Affairs itself, there is also a challenge. Before 2002, the management structure in the Ministry of Foreign Affairs was sector-based and was reflected in the authority of the General Directorate functionally (at the politics, economy, and socio-cultural fields) each of which is assisted by 6 Directors. The implication is that, in the cabinet meeting for instance, the General Director of Foreign Economic Relation will always be present to accompany the Minister of Foreign Affairs. Since the Director of Foreign Economic Relation is a senior, in terms of the echelon, and is assisted by the functional directors who give reports regarding the conditions of various regions in the world, the cabinet meeting can run in a more directed way.

The condition has changed since 2002 because the task arrangement in the Ministry of Foreign Affairs recently is based on the regional approach. The General Directors are tasked based on the regions, for instance: the US-Europe, Pacific Asia, and Middle East regions. As the result, each General Director must have his/her own staffs for economic, political, and socio-cultural affairs and the level of these staffs is very low, namely the echelon 3 or 4. This means that the number of staffs in the Ministry of Foreign Affairs is increasing but in the cabinet meeting, the Minister of Foreign Affairs is difficult to gain integrated information concerning such strategic issues as food, energy, and manpower because each of those issues are present

in all general directorates. When a meeting or seminar regarding issues is held, including the one held abroad, a lot of staffs from the echelon 3 or 4 level need to be there to conduct a briefing with the ambassador. Then, as for money and funding, they are managed separately by the Secretary General office so that each General Directorate can only wait for the distribution of the budget quota from the Secretary General and it will be difficult to push forward the activity priority target, unless they are willing to dive themselves into a debate on it. This is almost impossible to be done in the institutional culture of the Ministry of Foreign Affairs. It is obvious that the arrangement of such institutional structure is not effective.

This kind of structure model is indeed conventional. Yet, a number of countries now start to make a re-arrangement. For example, in Australia, the Ministry of Foreign Affairs is now also regulating the trading affairs, so that the ministry is named the Ministry of Foreign Affairs and Trading. This model of integrating the tasks of two ministries was also adopted by South Korea since 1998, but then it was put back to what it was in 2013. In Bahrain, the Ministry of Foreign Affairs is structured also by regions, but the number of regions to be paid attention to is only two and they are joint with issues, and the echelon level is 2 (Assistant Undersecretary): The Director of Arabic Affairs, Afro-Asian and Organizations, the Director of GCC Affairs and Western States, the Director of Legal and Human Rights, the Director of Consular, Protocol and Process, the Director of Human Resources, Finance, and Information. It means that it is possible to have an adjustment here and

there concerning the institutional structure of the Ministry of Foreign Affairs so that the movement of the national interest achievement can be more flexible and effective.

This institutional arrangement is very much needed since the foreign parties refer to the institutional system when doing diplomacy with Indonesia. Related to trading and the opening of business relation, for instance, there is an ambassador of our friendly country who admits his confusion regarding who can be relied on to score the target of his country's national interest achievement. This is because, after spending years in Indonesia, he realizes that it is not enough to talk only to the Ministry of Foreign Affairs, but he also needs to meet with the Ministry of Trade, the Ministry of Industry, the Ministry of National Development Planning, the Chamber of Commerce and Industry, the regional governments, etc. Just imagine if each of the aforementioned party has a different perception regarding policies and the approach of policy.

The assisting presidential staffs related to international relation also need attention. Recently, a number of the best staffs in the Ministry of Foreign Affairs are actually "lent" to other ministries, such as to the Vice President office, the Advisory Board of the President, to the Secretariat of the Vice President office, to the Special Staffs of the President for Foreign Affairs field, to the office of the Special Staffs of the President for the Living Environment field, and many more. Such positions are tantalizing for the staffs of the Ministry of Foreign Affairs because it helps raise their echelon level and putting them closer to the circle of power in the Republic of Indonesia.

Practically, such staff borrowing will incur problems since it is found that there are tendencies that those staffs of the Ministry of Foreign Affairs working at other offices or ministries often have different perceptions with the Ministry of Foreign Affairs. This means that, instead of strengthening the synergy, consultation, and coordination across ministries and institutions, these staffs in fact widen the gap of perceptions concerning diplomacy measures that need to be taken. It is unknown where such gap starts since these "lent" staffs are actually of high quality in terms of knowledge and experience.

On the other side, at the practical state in other ministries outside the Ministry of Foreign Affairs, it is indicated that the average of officials in technical ministries, such as the Ministry of Health, the Ministry of Trade, the Ministry of Industry, the Ministry of Manpower and Transmigration, and the Ministry of Information and Communication, have such a limited knowledge about the condition of Indonesia's strategic environment at a given time. Though they know that there is the free and active foreign policy principle, their understanding is restricted only to the efforts of safeguarding the sovereignty of the country, and this term 'sovereignty' tends to be defined narrowly, that is, the fulfillment of the physical needs of the Indonesian society. In general, outside the environment of the Ministry of Foreign Affairs, the orientation of the state officials' attention is limited to the domestic orientation. It would be much better if this is changed so that their sensitivity is higher, both towards the needs of the policy actors domestically and those internationally.

As for the arrangement of the funding for ministerial activities, it in fact also becomes a source of criticisms from the actors of international relation. Especially for the representative offices abroad, the space of fund available for unexpected activities is seen as too small so that if there is an extraordinary event that happens in a sudden, such as natural disaster, armed disputes, or capital punishment for Indonesian migrant workers, the space of movement of the representative offices is not as flexible as those of the US or even of Malaysia. The funds for other posts are impossible to be diverted to the extraordinary events because that would be considered as a breach.

3. The relation among actors of foreign politics.

Actors of foreign politics also need to be paid attention to since they are the ones who become the actors of diplomacy to translate targets of national interests. The readiness of these actors in implementing the task of diplomacy still need to be developed further, be it from the side of the recruitment system, the trainings provided, and the capacity development done through assignments. These actors obviously have to master various aspects of national interests, and are able to articulate and struggle for such interests in the international arena.

The training model of the National Defense Institution can be adapted pursuant to the needs. The delivery of *Wawasan Nusantara* (the Insight of Archipelago) needed is not simply an understanding on the physical condition and the philosophy, but also an understanding on the psychology of the business world

and governmental actors in the homeland. The high-level officials and diplomats need to be able to feel the logic, for instance, of why the cacao and palm farmers choose to sell their raw fruit illegally to Tawau, Malaysia, rather than to the collectors in the country,[104] and what cooperation options we need to establish in the border areas.

In addition, the factor of leadership in foreign policy taking needs to be underlined here. It is because this issue is always raised in every discussion regarding the achievement of Indonesia's national interests, especially in the representative offices of the Republic of Indonesia abroad. There are still many vacant leadership in a number of embassies, whereas to open one representative office, usually it needs such a long time for the purposes of assessment and time adjustment. The Indonesian government's target in general is to establish itself in as many countries as possible, no matter how minor such establishment is. The reason is that the multilateral diplomacy target introduced since the time of the Minister of Foreign Affairs Hassan Wirajuda is that each country has one vote. Thus, Indonesia needs to have a representative office in whatever country which is strategic for the interest of Indonesia, such as what we now have recently in Kazakhstan, Uzbekistan, Azerbaijan, and Ukraine. In addition, Indonesia also considers the reciprocal factor towards the countries which for so long have opened their representative offices in Indonesia, such as Ecuador, Chile, Peru, Venezuela, and Columbia. The opening of a representative office in Bahrain is organized on the

consideration that Bahrain will become one of the centers of the world's investment in the future.

At this time, such considerations have not yet been followed with the readiness of the sufficient human resources and with clear and standard line of communication. A different Indonesian embassy, in a different country, means a different staff performance. The leadership of an ambassador is very much influential in the variety of institutional cultures. Unfortunately, an ambassador at average only has a 3 year-time working period and many of them do not come from the Ministry of Foreign Affairs and are political figures only. As the result, at the representative offices whose leadership is flexible and communicative, the relationship among the staffs will run well. However, if the leadership is rigid and introvert, the relation among the staffs will be disturbed.

The relation among diplomats and attaches in the representative offices of Indonesia, for instance, often becomes a problem though they should help and complete each other. In several representative offices, the tension between the two parties still happens frequently. Attaches are seen as being not loyal to the ambassador since the information they have collected is delivered directly to the "center" (Jakarta) and they are busy with their own agendas. Meanwhile, there are also attaches that are not satisfied because they are not served with good cars and drivers like what the staffs of the Ministry of Foreign Affairs get. These superficial things obviously disrupt the achievement of the national interests.

4. The "free and active" philosophy

As discussed in the Law No. 37/1999, the free and active philosophy is a guideline in addressing the challenge and chance abroad. The actors of international relation from Indonesia are expected to have a freedom in determining their attitude towards international problems, not to be bound in a priori to one of the powers of the world, and to be active in giving contributions as a part of the solution for the global problems so that freedom, eternal peace, and social justice can occur.

Based on the monitoring and interviews with the actors of international relation in several ministries, this free and active philosophy for the 10 years of President SBY's administration has been translated into the principle of "a thousand friends zero enemy", as an effort to maintain harmonious good relation and to not seek for enemies. As a marketing branding, the derivation of this free and active philosophy is indeed quite catchy. The Minister of Foreign Affairs Marty Natalegawa defines this principle in the form of Indonesia's task to maintain the dynamic equilibrium, which is to keep the balance in the global politics by not taking sides here and there and to seek for a win-win solution in every occasion.

On the paper, the principle and its derivation above sound rational; however, in the daily practice in the Ministry of Foreign Affairs, the President's and Minister's directions are frequently seen as a mere jargon and have not been able to become a practical guide. Young diplomats, especially, find it difficult to translate 'zero enemy' and 'to seek for dynamic equilibrium', since

in many cases Indonesia is indeed in the face-to-face situation with foreign parties which only press and seek for benefits for themselves. If Indonesia keeps on seeking for a balance, it will tend to become a follower in the global politics; diplomats will only ask questions to the left and right and adjust their statements with other countries. The question is: what does Indonesia look for? The 'zero enemy' concept is indeed positive for the sake of seeking allies, but this will be meaningless for the purpose of promoting the national interests. What is missing in the President's and Minister's directions is the direction regarding the scale of priority aimed by the government.

> The philosophy of free and active within 10 years of SBY's reign translates into "thousand friends zero enemy", as an effort to maintain harmonious relations instead of looking for enemies.

For example, in ASEAN. On one side, the ambassadors of our friendly neighboring countries, both in the circle of ASEAN or outside of it, see that the free and active principle is the excellence and power of Indonesia's foreign politics. Indonesia is perceived as being not egoistic in putting forward its national interests and as always thinking independently though there are external pressures pushing Indonesia to take side. The Ambassador of the Philippines for Indonesia admiringly stated that the free and active principle is bequeathed from generation to generation of the implementers of foreign policies in Indonesia and it becomes a connecting thread for Indonesia's foreign policies, so that there

is a small chance that what was proposed by one administration will be directly turned down by the next one.

But on the other side, such freedom is confusing since there are many partners Indonesia can couple with, for instance for economic cooperation affairs, but the resources to establish such cooperations are limited and the authority owned by the Ministry of Foreign Affairs in designing the policies is also limited. A senior researcher in the House of Representatives of Indonesia said that the country's energy is drained by heroic agendas to help other countries, but in fact such agendas have little impact domestically.

Chances and Challenges

A number of chances to realize the achievement of national interests are widely open. Among those chances are: Firstly, the countries in the world will still be resting on the intensification of the improvement of their own economic performances. This can also make Indonesia become more focused in carrying out a number of protections for the domestic economic interests, such as the state's intervention in terms of capital purchasing, fiscal policy improvement, trade policy improvement, monetary policy improvement, and the revitalization of industrialization, so that they would not be viewed as obstacles in economic cooperation, but as an investment of business world certainty in the future. What needs to be guaranteed by the technical ministries and promoted by the Ministry of Foreign Affairs is the short-termed output of such policies, for examples, the single window system, result certainty for foreign investors, and intermediate and

consumer goods that are of good quality and worthy of selling in the markets of other countries.

This window of chance is probably temporary, namely, until the next five years cycle of economic crisis. This is due to the signs of quantitative easing done by the US, which is the action of the Federal Reserve in the US to slow down the purchasing of bonds so that the current of money will flow to the US and not absorbed by other countries. It is not impossible that the US domestic economic condition would be far better than today, so that the US will move more actively and flexibly after the next five years. Finally, it will be more difficult for other countries like Indonesia to tidy up things domestically.

China has read this sign posed by the US and it invites its neighboring countries to form a trade cooperations based on swap and regional currency. It is thus not impossible that China's influence will be stronger in the Asian region. Its condition will become even stronger remembering the exchange reserves of China in 2012 had already been the largest in the world, as much as $3.31 Trillions. The strengthening of China will mean risks for the relatively weaker economic powers in the region, since China has already "mastered" profitable practices in trading points, even in harbors, in such strategic places as Singapore, Dannang Vietnam, Cambodia, Myanmar, et cetera.

The domination for the US government's securities by China and Japan has the potential to cause for a different stretch in the relation of these two countries in the times after the next five years,

especially if the US then realizes that such dependence will disturb its sovereignty. If this happens, the global condition will also change. Recently, China keeps on making use of its exchange reserve to buy the securities of the US government. It is said that there are approximately 70% of the US securities dominated by China.

Secondly, the countries of the world are still at the phase of seeking for the economic governance, be it domestically, regionally, or globally, that is appropriate with the conditions of the local communities. This means that the liberal market model of economy is not the only, and clearly not the most dominant, model in the practice of economy of the recent time. Here, the top leaders of the Indonesian foreign politics, and also the leaders after the 2014 general election, need to realize that local wisdom has a place and in fact has to be a unique characteristic not to be left out in the practice of the politics of the global economy of this time. The mere liberal orientation of Indonesian officials is proven to be unable to resolve the problem of commerce system and production system inside the country since the basis communities in Indonesia are not managed based on the liberal economy concept. Indonesia in fact needs to raise the model of poverty alleviation on the base communities to the global level as an alternative for the significantly liberal discourse of economy developing all this time. Economic and social figures, and even cultural figures, who for so long have been involved in the state of developing base economy need to be coupled with to add values in Indonesia's policy initiative proposition in the governance of recent global economy.

Thirdly, the countries of the world are still at the phase of seeking for a new form of economic cooperation. Thus, there is a space for Indonesia to push the cooperation formula which puts forwards the interest of the workers and the compliance to spatial layout. The real dilemma in the next five years will be about how to increase the economic growth and to activate the industry and the people's economy and still preserving the living environment and guaranteeing the dignity of the workers. This has been proven difficult to apply in the history of the world's economy. When an industrial revolution occurs, workers become a commodity that are forced to accept their fate, whatever amount of wage they receive, and whatever working conditions they are facing. Industrialization in the US, Europe, Russia, and China is state-led, which means that it is strongly intervened by the state (though the intervention points and types vary), so that such industrialization has claimed so many lives, caused the shift of life styles, and so much misery for the lower-middle class people. In the next five years, such dilemma will re-appear and will be much more complicated since the number of population and the per capita population concentration will have already been far larger than the number we had in the 18th or 20th centuries.

Indonesia needs to be more aggressive to pave the way for its national industries to expand abroad. The Ministry of Foreign Affairs needs to urge technical ministries to develop special incentives for businessmen who are ready to take the for global expansion.

The recent tendency is that countries take the strategy of expanding the operation areas for their industries. Businesses are supported by diplomacy, their economies make way to other countries to open new employments for the workforce there. We can see that Japan, the US, China, India, England, and even Brazil are applying this strategy. This is beneficial for the businesses of those countries because, in addition to cutting off the cost of production, it also incurs sympathy since a political cooperation between countries is established, and it also make the business closer to the consumers. Their space of movement is bilateral cooperation and the free trade cooperation which have been developing all this time, where each country involved in a free trade has the obligation to provide a space of movement for its partner to develop business in its country.

By so, domestically, Indonesia has a space to push the foreign companies to give a larger room for local workers to work there, and that such foreign companies comply to the spatial layout applied in Indonesia. This should be a strong basis to deconstruct the scheme of cooperation which is derailed from the two cooperation allotments. This is because those countries are indeed in a position where they really need a cooperation partner that can get along well politically. Indonesia qualifies for that requirement. In addition to the fact that it has a huge domestic market, politically Indonesia is also accepted by many countries in the world due to its geostrategic position. Indonesia's bargaining power is strong at that point.

Meanwhile, at the international level, Indonesia needs to be more aggressive in opening ways for Indonesian industries to expand themselves abroad. The Ministry of Foreign Affairs has to push

technical ministries to develop special incentives for business actors who are willing to take the risks by expanding their businesses outside the country. The Ministry of Foreign Affairs also need to develop the expertise of market intelligences in representative countries so that the map of business lanes in other countries can be built and can become a valuable input for the business actors and the technical ministries.

Fourthly, the attention of the major countries will be focused on the conflict of influence seizure in the Middle East. Different from the South China Sea case, where the countries involved compactly attempt to muffle the internationalization of the case and the spreading of issues of the tension there, the cases in the Middle East, such as Syria, Iraq, Iran, Egypt, and Turkey, can be easily spreading to become horizontal paralyzing conflicts because domestically they do not have an authoritative government and there is no association of regional countries that is perceived as having an adequate legitimacy to mediate the conflicts happening there.

Such conditions give a chance for Indonesia to establish its influence in the Middle East, especially in the countries which are relatively stable in terms of politics and which are being ambitious to become a regional economic power. Bilateral economic cooperations need to be motivated to grow rapidly there, for examples in Qatar, Bahrain, United Arab Emirates, and Saudi Arabia, for the development of *sharia* financial business and economy and the lines of cooperation to expand Indonesia's market there, for instance, for fashion, food and beverage products, and hotels which serve tourists from Indonesia or South East Asia.

Fifthly, the increasing number of middle class people in almost all countries in Asia. This means that there is a chance to expand business opportunities and employment for Indonesian people. The middle class people are the cantilever for the improvement of economy and development, so that their presence needs to be facilitated so that the impact can spread further.

Service sector is the tertiary sector of economy which are reliable for countries in Asia to pump up their exchange values. Service sector is actually a sector that needs to be driven in the next five years remembering that the number of middle class people in developed countries all this time has increased. Along with the improvement of the standard of living, the intention to enjoy vacations, the need to stay at hotels or indulging in standardized culinary dishes are business opportunities that must be addressed in an workmanlike manner.

Service sector is frequently highlighted as a potential workforce absorber in ASEAN. The technology in this sector develops rapidly. Take a look at the dot.com industry, the health service industry, education industry, tourism industry, and banking industry. The potential is huge but in fact it has not been a sector which is optimally absorbing manpower in Indonesia. It is recorded that this sector absorbs not more than 2% of the workforce in Indonesia. Indonesian government's investment in the tourism field is still low compared to our neighboring countries in ASEAN. Indonesia chooses to market the tourist spots which are already been "settled" or to rely on the private players.

Compare this to Malaysia, which does a significant investment to build Langkawi, or to Singapore, which keeps on beautifying and equipping the commerce centers in the Changi International Airport. As the result, the number of foreign tourists coming to Indonesia is far smaller compared to those who choose to go on vacation and contribute to the local economies of Singapore, Malaysia, Thailand, and even Vietnam.

The development of the middle class people needs to be sustained so that it will be well-distributed to the remote areas. If the middle class people are well-distributed, the spread of industry will be well-distributed too and the economic participation will be higher so that Indonesia's total production can be accelerated. In other countries, the development of the middle class is sustained with huge investment in terms of expanding the electricity access (electrification). This investment is so much important to optimize international cooperation in the field of the development of infrastructure and connectivity between countries.

Indonesia is obviously still left behind in terms of a quick response to the development of source of energy. Electrification is still low in the Eastern part of Indonesia. The endeavors aiming to the development of electricity is also really slow, though a number of studies have explored and pushed the State Electricity Company and the government to move faster. The Research and Policy Development Body in the Ministry of Foreign Affairs once published a study on the Hydropowered Electricity and Electric Steam Power Plant which involved the journey of a number of researchers to neighboring countries in 2010. That study was

published in 2011. The Agriculture Institute of Bogor also has a research on the use of sea current for electric generator.

If Indonesia does not change the pattern of developing its source of energy, it is not impossible that one day it has to buy electric power from Malaysia for the Kalimantan region, whereas that source of electricity is from a river that also flows in the Indonesian territory. As for the Java-Bali areas, there has been no breakthrough; we will still be bothered with the problems of excess power, high-priced electricity, and load shedding. We even have not given attention to the development of biofuel technology, geothermal technology, solar technology, let alone nuclear technology. Whereas, since the regime of President Soekarno, Indonesia has founded the National Nuclear Power Agency (BATAN), but until now it has not prepared itself seriously to develop a Nuclear Power Plant which is really safe like the one South Korea has.

Those five chances are indication that if dilapidated and intricate things within the country are resolved, the chance Indonesia has to amplify its role in keeping the world order is actually wide open.

In addition to those chances, there are also challenges against the achievement of the national interests, both coming from the international world and from the country itself. From the international world, the challenge is the effect resulting from the action of economizing and the inward orientation posed by Indonesia's cooperation partners, such as the European Union, Australia, Chile, and Brazil. So far, Indonesia has not yet significantly feel the impact since its main trade partners, the US, China, and Japan are still willing

to buy Indonesian products and to provide aid for socio-political and cultural development. However, this developing trend may not be seen trivially.

This economizing action also means tightening the regulation for other countries to enter the market, so that the competition will tend to be fiercer. The investors are observing China to see whether this country will decide to close itself from the global integration. If this happens, Indonesia's space of movement will be more restricted and this means that Indonesia needs to be more ingenious in penetrating the narrow spaces available.

A question occurs: Is Indonesia still the leader of the ASEAN? The answer to this question is clear: Yes. As, whether we like it or not, Indonesia was undeniably one of ASEAN initiators and is still exceptionally active in promoting the survival of ASEAN.

In addition, the strategy that has been developed by Indonesia to conduct business diversification to ASEAN is a good asset to start, though it is still not enough. If Indonesia's orientation is still on the countries which are relatively prosperous in ASEAN, its economic performance will remain the same as what it has now, i.e. easily becoming unstable when economic slow-down and competition happen with the non-ASEAN partners. The challenge is to open the market in new ASEAN countries. The alacrity of the representative offices in ASEAN is needed to read the business situations. The next challenge is the fact that the inter-area infrastructure connectivity in ASEAN is still weak. ASEAN moves really slow in this case, whereas

to develop business, infrastructure is a facilitation factor that is easier to encourage business actors to do their investments.

The ASEAN's movement to revive the discourse of the acceleration of ASEAN connectivity needs to be appreciated, and at the same time paid a careful attention as well. In September 2013, the United States Trade and Development Agency sponsored an ASEAN meeting related to the connectivity issue, which re-discussed the US initiative, named the ASEAN-US Connectivity Cooperation Initiative, launched in 2011. In that forum, the discourse of implementing the plan to build railways from Singapore to Kunming was revived. The countries which have not yet responded, Cambodia, Vietnam, Thailand, Laos, and Myanmar, are pushed to support the initiative. Malaysia supports this initiative on the basis of the need for an environmentally friendly mode of transportation. Here, it can be seen that the US has an interest to ease the line of transportation from China to the heart of South East Asia. The question is: what would be loaded in the those train cars? Will it be cheap natural resources? Will it be value-added products? Of course, such trans-country railway as this one needs presciently calculated fiscal regulation, security, and defense. This is a challenge that should be responded immediately by Indonesia, and not to be taken lightly.

From the aspects of design, institution, and relation among individuals making and carrying out the foreign politics, the challenge that needs to be anticipated is the monitoring of the performance of the leaders and staffs, both in terms of the accuracy of the planning and the accuracy of the implementation. All this time, the representative

offices run in a system which seems more likely to be an autopilot, rather than being fully-directed. The staffs complaints in the representative offices about "what information do I have to look for?" and "where should I direct the information I hear to?" must be able to be resolved with more responsive communication lines and institutional means. This is information that is possibly not simple and has its own challenge.

There is a question whether Indonesia is still a leader in ASEAN. The answer to this question is actually clear enough. Yes, it is, because like it or not, Indonesia is one of the countries that pioneered ASEAN, and is considered very active in struggling for the sustainability of ASEAN as a united entity with a more popular brand in the world at this time. The note is that the leadership in ASEAN is actually not limited to inevitable problems, such as the historical facts and the issue of merit mentioned before, but also the problem of Indonesia's ability to be present as the largest power in ASEAN.

Being face-to-face with China, Indonesia is a step behind the Philippines and Vietnam which have already able to penetrate the complexity of business operation there. Indonesia is still hampered. Talking about the use of sea and air lanes, the one which wins the most benefits so far is Singapore, which are more prepared with more reliable and competitive airline and logistic companies. As for investment, ASEAN countries in fact rely on China, the US, Japan, and South Korea, those of which are non-ASEAN countries, as the investors in ASEAN region. Indonesia is still unable to answer the ASEAN needs. This is so unfortunate since its technical implication is clear enough. That is, ASEAN is more difficult to build a centrality

in the eyes of its members since in reality their economic interests have to comply with the agendas of non-ASEAN countries.

Disruptions and Threats

The disruptions of the achievement of the national interests in the next five years are such things resulting from the poor management of the bureaucracy in Indonesia and the low-quality politicians in Indonesia. This would happen mainly in the beginning of the next five-year period, when the public officials are still at their "learning" phase. With a once-in-three-year management rotation in the Ministry of Foreign Affairs, the coordination in finding solutions and resolutions will face issues. This is the source of disruptions for the achievement of the national interests.

Meanwhile, at least there are five threats for the achievement of the national interests in the future. Those five are: Firstly, Indonesia's failure in rushing the improvement of the economic foundation so that it has a firm and integrated design as an asset in the competition. If in the next five years all managements of economy will still be the way they are now, in the next period Indonesia will lose so many momentums. The effect of losing such momentums would be quite significant so that it deserves to be categorized as a threat since there are 4 types of major conflicts that can bother Indonesia in these five years, such as those explained above, and we would have no idea about what the results of such conflicts are.

The study from Dorodjatun Kuntjoro-Jakti[105] shows that the chance Indonesia has to take off is very short, namely until 2030 at the latest, and we know that there are a lot of things that can be worked on

in terms of phases. Domestic threats are quite real because there is a bad habit of blaming other parties, and there is a tendency to be less sensitive about the needs of the age because the attention is excessively given merely to routine technical businesses.

Secondly, the reluctance of big countries to use the multilateral diplomacy instrument in resolving their protests against other countries. The threat is the apparent contest of power, whereby if the strategy is taken wrongly, the image of Indonesia as a peace-loving country will be broken. Indonesia's continuous bad grades in the field of Human Rights is a special not that need to be paid a cautious attention to. It is no longer a secret that there is something jammed related to the follow-up of enforcing a number of Human Rights violations in Indonesia, such as the assassination of Munir in 2004, which until now has not yet been resolved.

Various Human Rights cases can be raised to become an international issue which can be detrimental to the government's legitimacy. For such a complex and huge country as Indonesia, a faulty legitimacy of the government would become a serious threat for the unity of the nation.

Thirdly, the fact that the communication between foreign policy makers at the central level and the regional governments is not cohesive. In the context of the recent time, the regional governments have an important place in diplomacy and cannot be ignored. If they are not regulated and coupled with, they will become more free in building direct cooperations with foreign business actors and even with other countries, whereas they have no macro picture of

the global mingling. To make it even worse, potentially they would establish policies which are on the contrary to the ones issued by the central government.

The change of the Chinese economic strategy from dependency on export and investment strengthen the domestic industrialization. Recently, China is one of the three largest market segments for Indonesian products, so that the strengthening of the domestic industry in China means that there is a potential that the demands for Indonesian products will decrease. This can be a threat since all this time a large portion of Indonesia's natural resources is absorbed by China, such as coals, rattans, timbers, acacia seeds, and iron ores. With this shift of strategy, Indonesia is facing the risk of being slumped, let alone if there is no significant improvement of the behavior of the domestic business owners.

The problem is that China is the largest coal producer in the world, followed by the US and India respectively, while Indonesia is only at the fifth place. Compared to the characteristics of coals in other countries, Indonesian coal has a low-level of sulfur so that it is safe to be used for electric generator and is sought by countries in the world. It is no wonder then that India vigorously conducts acquisitions over coal mining companies in Indonesia.[106] We also see that, by exporting rattans, timbers, and acacia seeds, some of which are done illegally, Indonesia is indirectly "killing" the local industries, such as furniture and steels, and it is giving a chance to China to grow even more massively. The behavior of Indonesian business actors who rollickingly export iron ores though the price is falling is also so much confusing, because China fears the lack of raw material

supply so that it is chasing for stocks. Apparently, this behavior is triggered by the plan to apply the clean and clear (CnC) policy, which obliges business actors to have an export license when putting advance a proposal for building a smelter. So, instead of supporting the governance improvement at the mining sector, these Indonesian narrow-minded business actors keep on eroding the growth of the country.

Overview and Recommendation

Collectively we need to be aware of the fact that Indonesia is the largest archipelagic country in the world, which has a strategic position because it is located on the meeting point of the two oceans, Indian and Pacific Oceans, and the South China Sea. This is a very important position in the world since it becomes the crossing point for the transportation and communication of the world, connecting two continents whose growths are really dynamic, and is located in the equator with a tropical nature rich of natural resources. For decades, despite the shortcomings owned by the Indonesian nation, it is proven that we can survive being an archipelagic country whose role is well considered, both regionally and globally. This must be remembered as an asset for the activities to be done by the successors of this Republic. Indonesia's geo-strategic position makes it a country that cannot be ignored nor replaced. Thus, the entire actors of international relation and diplomacy in Indonesia, both state and non-state ones, need to be flexible in relating to other nations.

The opportunities in the next five years are actually quite bright for Indonesia. The challenges are also not as complicated as those that need to be managed by the countries of the world which are bothered

by the recession. However, the point of view of the Indonesian government, which is inspired by the seeking for dynamic equilibrium is in fact slowing down its ability to achieve its national interests because Indonesia is marching to the beats of the drums played by other countries which are more sensitive towards the development of the global situations and are hastening their steps in improving their economic foundations and governances within their countries.

Remembering the potential of these four types of conflicts in the next five years, namely the proxy war among big countries, the conflicts of seeking regulations in international forums, the conflicts in the border areas, and the conflicts for the use of natural resources, Indonesia is terrible vulnerable in terms of being absorbed into the uncertainty of international relation. For the sake of the firmness of the role of Indonesia, which actually has such a profound commitment to become a part of the solutions for the world's problems, Indonesian diplomats, in whatever ministries or agencies, need to focus on the achievement of the national interests which would create the solidity of Indonesia's economic foundation, create a force to be reckoned with and at the same time attract other countries, promote and develop the initiatives and works of the children of the nation, develop activities which strengthen the use of soft power, ensure the world that the Indonesian government is able, has the credibility and positive reputation in the eyes of its people, that the Indonesian government does have the strategy and commitment with clear phases of priority, and that Indonesia has a realistic design for the development of a sustainable economic growth sensitive towards the dynamics of the age, including towards the development of its status as a country whose prestige is getting even brighter in the eyes of the world.

From the explanations above, it is clear that there are more parties participating in determining the level of success of the politics of Indonesia's economy at the global level. There are the involvements of the central government from various agencies and ministries, the regional governments, the business actors from various lines and scales, the parliament, the society, universities, mass media, and even non-governmental organizations. The performance of their involvements has to be effectively measurable in work groups. Indonesia's diplomacy activities need to touch and address each of these parties in order for their movements to be monitored and not counter-productive towards what the government has planned. On the other side, the monitoring of their movements should also be captured well by the government to be used as a material for policy improvement. Indonesia's foreign policy need to be placed on the position which is adequately high and clear, so that even all parties which do not communicate to each other can get a reference regarding the direction to take together, and what the consequences are if they decide to sail against the wind.

From the aspect of cooperation, the paradigm that needs to be built is that the achievement of the national interests should be pursuant to the real conditions on the field. With the countries in Asia, Indonesia should find a way out from the shadow of control of China, especially in terms of the economy, so that Indonesia will not depend on the demands from China, and expand its efforts in looking for other cooperation partners. It would be good if Indonesia explores such business fields it has excelled with all this time as the agribusiness, food and beverage products, banking, property, and creative industries to be expanded to other countries, starting from

the nearest in ASEAN up to the farthest in Central Asia, Africa, and South America. The representative offices abroad need to be sensitive about the needs of the business actors inside the country and facilitate their needs so that they can develop their business to friendly countries.

Indonesia's representative offices abroad need to be rearranged so that the people placed there are those who really understand the real conditions of the business sectors and the people of Indonesia. They have to be sociable with business actors in order to be able to capture the global opportunity, but at the same time not to fall to the trap of entertaining the interests of foreign parties other than of Indonesia. The direction of our economic policies should no longer be aiming to pursuing rents, but to increasing the value-added goods production that are loaded with innovations and science, and enriched with the rich and unique dimension of Indonesian culture.

Related to defense and security, the next generation of the nation needs to be more confident that Indonesia can be maintained to be always intact. The young generation needs to be sensitive about the differences between conflicts that must be resolved in a short time and those that can be managed for a long time. Not all things can be managed by guns; likewise, not all things can be managed by diplomacy only. Indonesia has to be persistent and introspective in terms of guarding the vital interests and in making use of the momentum so that the national interest to take off can be implemented as soon as possible.

For that, the entire foreign policy makers and doers, both those who are in the Ministry of Foreign Affairs and those in other ministries,

also need to have a vision regarding the situation of defense and security as well as the complexity of their management. Thus, training in the National Defense Agency needs to be taken so that even civilians are familiar with mingling with people with military and intelligence backgrounds, and can comprehend the on-field situation in terms of defense.

The term of duty in the ministries need to be reviewed. The three-year period is too short to conduct a transformation and reformation. A good communication and activity monitory system needs to be built so that an official reassignment does not mean that the policies should be restarted from zero. The system for recruiting officials also needs to be paid attention to so that it will not sacrifice the national agendas just because the officials appointed do not have an adequate competency. In addition, the system for arranging the directorates in the Ministry of Foreign Affairs needs to be reviewed so that it will not be based only on the terms of region. It is because, as it is proven to be, this kind of system in fact creates a huge gap of communication and information among the diplomats, who are supposed to play an important role in informing and coordinating the direction of the foreign policies.

Thought the President has the right to lead the foreign policies, s/he needs to be aware that s/he is a politician. The President has to always listen to inputs and suggestions from the experts of each field, and if s/he is still unsure, s/he can build a communication with the stake holders in the country. Indonesia has to find a way out of the vicious circle of patchy development just because its officials and politicians do not understand the real situation on the field and

prefer to entertain officials from other countries rather than their own people.

Remembering that the diplomacy of this time can no longer be supported by the activities of the diplomats or the residential ambassadors only, the officials from the technical ministries also need to be more fluent and sociable in the international-level mingling. In addition, due to the increase of the number of population who perceives themselves as global citizens, the Indonesian government needs also to make use of the roles of the Indonesian *diaspora* outside the country. Diplomacy activities also need to be expanded to support the efforts of introducing the thought process and the imagination of Indonesian people through the arts of movie, music, culinary, fashion, and other forms of graphic artworks. This is because, as one needs to remember, open confrontation will always be avoided in the future times, but international competition will not grow less and in fact will grow more, whereas the communication whose directions are to the terms of Human Rights and political rights protection is hard to do because of the problem of sovereignty.

Therefore, the "thousand friends zero enemy" principle and the "dynamic equilibrium" doctrine can only be voiced at a certain state and will in fact be a backfire for Indonesia if applied to all ministries which are involved in international relation. Also Indonesia must not forget about the national interest priority as elaborated above, and needs to be able to avoid being played by other countries.*

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LAWS AND REGULATIONS

Law Number 14 of 1985 on the Supreme Court

Law Number 18 of 1997 on Regional Tax and Regional Levy

Law Number 28 of 1999 on State Officials That Are Clean and Free from Corruption, Collusion, and Nepotism

Law Number 31 of 1999 on the Eradication of the Criminal Act of Corruption

Law Number 34 of 2000 on the Amendments to Law of the Republic of Indonesia Number 18 of 1997 on Regional Tax and Regional Levy

Law Number 20 of 2001 on the Amendments to Law of the Republic of Indonesia Number 31 of 1999 on the Eradication of the Criminal Act of Corruption

Law Number 2 of 2002 on the National Police of the Republic of Indonesia

Law Number 30 of 2002 on the Committee for the Eradication of the Criminal Act of Corruption

Law Number 18 of 2003 on Lawyers

Law Number 24 of 2003 on the Constitutional Court

Law Number 4 of 2004 on Judicial Authority

Law Number 5 of 2004 on the Amendments to Law of the Republic of Indonesia Number 14 of 1985 on the Supreme Court

Law Number 10 of 2004 on the Establishment of Laws and Regulations

Law Number 16 of 2004 on the Attorney General Office of the Republic of Indonesia

Law Number 22 of 2004 on the Judicial Commission

Law Number 32 of 2004 on Local Governance

Law Number 3 of 2009 on the Second Amendments to Law Number 14 of 1985 on the Supreme Court

Law Number 46 of 2009 on the Court for the Criminal Act of Corruption

Law Number 48 of 2009 on Judicial Authority

Law Number 8 of 2011 on the Amendments to Law of the Republic of Indonesia Number 24 of 2003 on the Constitutional Court

Law Number 17 of 2011 on State Intelligence

Law Number 18 of 2011 on the Amendments to Law of the Republic of Indonesia Number 22 of 2004 on the Judicial Commission

Law Number 3 of 2002 on National Defense

Law Number 34 of 2004 on the Indonesian National Army

Law Number 2 of 2002 on the National Police of the Republic of Indonesia

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